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LUCION

Shandong International Trust Co., Ltd.

山東省國際信託股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1697)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board of directors (the “**Board of Directors**”) of Shandong International Trust Co., Ltd. (the “**Company**” or “**SITC**”) is pleased to announce the unaudited consolidated results of the Company for the six months ended 30 June 2024 (the “**Reporting Period**”). The content of this interim results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to preliminary announcements of interim results and the China Accounting Standards for Business Enterprises (the “**CASBE**”). Such interim results have also been reviewed and confirmed by the Board of Directors and the audit committee of the Board of Directors (the “**Audit Committee**”). Unless otherwise stated, financial data of the Company are presented in Renminbi.

In this interim results announcement, the “Group” refers to the Company and the trust schemes included in the consolidated financial statements of the Company (i.e. the trust schemes controlled by the Company). Where there is any inconsistency between the Chinese version and the English version of this interim results announcement, the Chinese version shall prevail.

1. BASIC CORPORATE INFORMATION

1.1 Basic Information

Legal name in Chinese Abbreviation	山東省國際信託股份有限公司 山東國信
Legal name in English Abbreviation	Shandong International Trust Co., Ltd. SITC
Legal representative	Yue Zengguang (岳增光)
Authorised representatives	Yue Zengguang (岳增光) He Chuangye (賀創業)
Listing exchange of H Shares	The Stock Exchange of Hong Kong Limited
Stock name	SDITC
Stock code	1697

1.2 Contact Person and Contact Details

Secretary to the Board of Directors	He Chuangye (賀創業)
Company secretary	He Chuangye (賀創業)
Registered office	Partial area of 1/F, 2/F and 13/F 32-35/F and 40/F, Tower A No. 2788 Aoti West Road, Lixia District Jinan, Shandong Province PRC
Postal code	250101
E-mail address	ir1697@luxin.cn
International Internet website	http://www.sitic.com.cn
Principal place of business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

2. SUMMARY OF FINANCIAL DATA

2.1 Summary of Unaudited Interim Condensed Consolidated Income Statement

Item	Note	For the six months ended 30 June	
		2024	2023
		<i>(RMB in thousand)</i>	
I. Total operating income		587,752	836,157
Net Interest Income	11	-4,550	35,014
Including: Interest income	11	24,969	75,332
Interest expense	11	29,519	40,318
Net fee and commission income	12	270,763	418,612
Including: Fee and commission income	12	272,635	421,229
Fee and commission expenses	12	1,872	2,617
Investment income	13	42,144	133,775
Including: Income from investment in associates and joint ventures		2,115	10,153
Gains from changes in fair value	14	241,813	212,071
Gains from changes in net assets attributable to third-party investors in consolidated structured entities		27,319	31,763
Other operating income		10,389	4,899
Gains on disposal of assets		-126	23
II. Total operating costs		295,780	447,435
III. Operating profit		291,972	388,722
Add: Non-operating income		462	2,922
Less: Non-operating expenses	18	39,107	115,722
IV. Total profit		253,327	275,922
Less: Income tax expenses	19	82,819	100,845
V. Net profit		170,508	175,077
VI. Total comprehensive income		167,769	175,213
Total comprehensive income attributable to shareholders of the parent company		167,769	175,213

Note: In this results announcement, losses are indicated in “-” unless otherwise stated.

2.2 Summary of Unaudited Interim Condensed Consolidated Balance Sheet

Item	30 June	31 December
	2024	2023
		(Audited)
		<i>(RMB in thousand)</i>
Total assets	13,699,817	14,168,884
Total liabilities	2,442,670	3,079,506
Total shareholders' equity	11,257,147	11,089,378
Total liabilities and shareholders' equity	13,699,817	14,168,884

2.3 Summary of Unaudited Interim Condensed Consolidated Statement of Cash Flows

Item	For the six months	
	ended 30 June	
	2024	2023
		<i>(RMB in thousand)</i>
Net cash flows from operating activities	576,953	-878,493
Net cash flows from investing activities	189,906	117,514
Net cash flows from financing activities	-469,526	-1,344,662
Net increase in cash and cash equivalents	297,333	-2,105,641
Add: Balance of cash and cash equivalents		
at the beginning of the period	168,897	2,240,590
Balance of cash and cash equivalents at		
the end of the period	466,230	134,949

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Environment Review

Since 2024, global inflation has continued to fall, trade growth has rebounded, and growth indicators of major economies have picked up, showing a generally slow global economy recovery trend. However, there are still many uncertainties in geopolitics, trade protectionism continues to spread, and economic differentiation among countries is significant, so that economic growth is still facing multiple risks and challenges. In the face of a complex and ever-changing international environment, China has comprehensively implemented the new development concept, solidly promoted high-quality development, continued to release the effects of macro-policies, and accelerated the development of new and quality productive forces. In the first half of the year, GDP growth showed a period-on-period increase of 5.0%. The national economy has been generally stable and has continued to recover and improve.

China's financial industry has thoroughly implemented the spirit of the Central Financial Work Conference by accelerating the construction of financial power, precisely and efficiently serving socioeconomic development, pursuing the "five major areas", better serving the development of new and quality productive forces and the construction of a modern industrial system, striving to support the expansion of effective demand, preventing and resolving financial risks, and proactively creating, transfusing, and activating "blood" for the real economy, so as to support the steady development of industry, technology, green and other fields.

As one of China's important financial sub-sectors, the trust industry of China is accelerating its comprehensive and in-depth transformation under the guidance of the new top-level design, striving to promote its high-quality development and actively integrating into the construction of financial power. As at the end of 2023, the balance of trust assets managed by China's trust industry was RMB23.92 trillion, with stable growth in asset size and steady optimisation of the business structure. The transformation of the trust industry is accelerating from the traditional business model with private equity financing as the core towards the model of asset services and asset management.

3.2 Business Overview

In the first half of 2024, in the face of the increasingly complex and severe external environment, SITC insisted on pursuing progress while ensuring stability, promoting stability through progress, establishing first before breaking down, while conforming to industry trends and regulatory guidance, and steadily advancing various tasks around the annual operating goals. The operating foundation of “stability and health” was continuously consolidated, and the business system of “specialisation and refinement” was accelerated. Overall, SITC maintained a stable development with a steady and positive development trend.

Firstly, the Company firmly returned to its origin of trust and promoted the growth of both business quantity and quality. The Company actively cultivated the competitive advantages and size advantages of its original business, fully integrating its resources and strength to accelerate the improvement of profit contribution. As at the end of June 2024, the size of trust assets under management of the Company amounted to RMB241.237 billion, representing an increase of RMB39.816 billion or 19.77% from the beginning of the year. The Company “increased the layout” of capital market business, continued to deepen cooperation with major channels, accelerated the cultivation of active management capabilities, and increased the scale of active management products. As at the end of June 2024, the existing size of the Company’s securities investment trust business exceeded RMB1,000 billion, representing an increase of RMB42.246 billion or 73.10% from the beginning of the year. A number of products such as “Taishanbao” and “Shandong Construction and Development Fund” continued to outperform similar products in the market, with the Company winning the “Excellent Bond Investment and Trading Institution (Trust Category)” award of the Shenzhen Stock Exchange in 2023, indicating that its product performance and management capabilities were well received by the industry. The dominant position of family trusts has been continuously strengthened. The Company actively developed new tracks in insurance trusts and family service trusts, and the growth rate of size has accelerated significantly. As at the end of June 2024, the existing size of family trusts was RMB47.0 billion, representing a period-on-period increase of 32%, with more than 130 family service trusts established. The Company actively promoted innovative businesses such as foreign tax residents, listed company stocks, and listed company shareholder services. In terms of charitable trusts, the Company continued to expand the participating entities and application scenarios and implemented the first double-trustee charitable trust in Shandong, constantly injecting trust “warmth” into charity business.

Secondly, the Company practiced the philosophy of “Finance for the People”, effectively improving the level of financial services. The Company focused on building a new system of wealth management capabilities and comprehensively promoted the transformation of wealth management business towards diversified asset allocation. As at the end of June 2024, the Company managed a total of 41 special wealth management accounts, gradually forming a wealth management model based on customer “trust accounts”. Adhering to serving the people, the Company focused on protecting the rights and interests of financial consumers, actively carried out financial investment education campaigns, and pursued investor suitability and anti-fraud publicity. In the first half of the year, the Company carried out 11 offline customer activities. Consumer protection education was also carried out through online channels such as APP, WeChat public accounts, and SMS platforms, with an audience of 33,000 people. Overall, the handling of consumer protection complaints has remained stable, winning the Company the honorary title of “3•15 Honest Financial Brand” for many years.

Thirdly, the Company pursued the major area of “green finance”, serving major strategies of the region. Strengthening financial support for the transformation and development of regional economy, the Company made full use of the trust toolbox and provided high-quality financial supply for local infrastructure construction and industrial and commercial enterprise development. The Company successfully liquidated the Company’s first bankruptcy reorganisation service trust, providing effective relief for the real industry and revitalising stock assets. The Company vigorously developed green trusts, promoted the implementation of major strategies for ecological protection and high-quality development in the Yellow River Basin, gave play to the demonstration and leading role of state-owned capital, and further increased investment in new material, new energy, energy conservation and environmental protection industries. As at the end of June 2024, the existing size of green trust assets was RMB3.556 billion, and the new green trust business in the first half of the year amounted to RMB726 million. The concept of green development and ESG-responsible investment has been continuously consolidated.

Fourthly, the Company adhered to the bottom-line thinking, and improved its comprehensive risk management system. The Company continued to improve the risk prevention and control system and mechanism process, optimised the full process management system of pre-investment due diligence, review and control during investment, and post-investment tracking, monitoring, disposal and resolution, and strengthened project temporary management and risk investigation, improving the efficiency and professional level of risk disposal. The Company fully carried out the “self-evaluation, sorting and updating of company rules and regulations” by formulating, revising and abolishing 65 systems, launching anti-money laundering and anti-terrorist financing work in a solid manner, and strengthening compliance management and cultural construction, so as to lay a solid foundation for sound operation.

Fifthly, the Company optimised its management mechanism to promote steady and long-term development. Adhering to the leadership of party building, the Company earnestly carried out party discipline education and work style construction activities to comprehensively improve work style and efficiency. The Company deepened strategic management, conducted benchmarking analysis and research visits with peers, focused on the primary responsibilities and businesses of the Company, and clarified business development plans to improve the adaptability and effectiveness of strategic planning. The Company also laid a solid foundation for corporate governance by completing the elections of the Board of Directors and the Board of Supervisors, further optimising the organisational structure and personnel structure, and scientifically formulating performance evaluation indicators to concentrate advantageous resources to support high-quality development of the original business. The Company promoted the construction of digital capabilities driven by the integration of “steady state and agile state” to create service-oriented technological capabilities, thus fully supporting the business development.

In the first half of 2024, the Group achieved total operating income with an amount of RMB587.8 million, representing a period-on-period decrease of 29.7%; total profit with an amount of RMB253.3 million; and net profit with an amount of RMB170.5 million, representing a period-on-period decrease of 2.6%, mainly due to (i) a period-on-period decrease in net fee and commission income; (ii) a period-on-period decrease in investment income; (iii) a period-on-period decrease in credit impairment losses; and (iv) a period-on-period decrease in non-operating expenses during the Reporting Period.

The Group's business segments are (i) trust business and (ii) proprietary business. Trust business is the Group's main business. As the trustee, the Group accepts entrustment of funds and/or property from its trustor clients and manages such entrusted funds and/or property to satisfy its trustor clients' investment and wealth management needs, as well as its counterparty clients' financing needs. The Group's proprietary business focuses on allocating its proprietary assets into different asset classes and investing in businesses with strategic value to its trust business to maintain and increase the value of its proprietary assets.

The following table sets forth the Group's segment income and its main components for the periods indicated:

	For the six months ended 30 June			
	2024		2023	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for %)</i>			
Trust business				
Operating income	270,866	46.0%	418,718	49.9%
Segment income	270,866	46.0%	418,718	49.9%
Proprietary business				
Operating income	316,886	53.9%	417,439	49.7%
Non-operating income	462	0.1%	2,922	0.4%
Segment income	317,348	54.0%	420,361	50.1%
Total	588,214	100.0%	839,079	100.0%

In the first half of 2024, the income from the trust business and proprietary business of the Company accounted for 46.0% and 54.0% of the total revenue of the Company, respectively.

3.2.1 Trust Business

Classification of Trusts

With the flexible trust arrangements under the laws of the People's Republic of China (the "PRC" or "China"), advantages of mixed operations under the Company's trust license and strong active management capabilities, the Company has been continuously developing trust products with new structures and new investment channels in order to capture market opportunities emerging at any time and satisfy the changing needs of its clients. The Company offers and manages a range of trusts to satisfy the financing, investment services and wealth management needs of its various types of clients.

The Company's right to manage and use trust assets comes from the trustors' entrustment. While the rights granted to the Company by the trustors vary from one trust to another, the Company has based on the differences of the Company's roles and responsibilities regarding the management and use of trust assets, classified its trusts into administrative management trusts and actively managed trusts. Among them, the actively managed trusts can be further subdivided into financing trusts and investment trusts.

- (1) **Financing trusts:** Through financing trusts, the Company mainly provides private equity investment banking services to various types of enterprises and institutions in China, and offers flexible and diversified financing plans.
- (2) **Investment trusts:** With investment trusts, the Company provides asset and wealth management services to institutional investors and high-net-worth individuals to satisfy their investment needs. The rapid accumulation of wealth in the PRC has resulted in diversified demands for various forms of investment. As the traditional asset management industry in the PRC is dominated by securities investment fund companies and securities firms, which mainly invest in standardised financial products in capital markets, such as the money market, publicly traded stocks and bonds, the Company believes the flexibility of trusts and the business scope of the trust license enables the Company to offer financial products with unique value to institutional investors and high-net-worth individuals.

- (3) **Administrative management trusts:** Through the administrative management trusts, the Company provides administrative services to the trustors, whilst aiming at satisfying the investment needs of trustor clients on the one hand and the financing needs of the clients' counterparties on the other hand. The Company established administrative management trusts pursuant to the instructions of trustors and provided financing, and uses such trust assets to provide financing for or invest in the projects or enterprises designated by the trustors. For these types of trusts, the Company merely provides trust administration-related services.

The following table sets forth the Company's total numbers of trusts and assets under management of each type of our trusts as at the dates indicated:

	30 June 2024		31 December 2023	
	Number	AUM	Number	AUM
	<i>(AUM: RMB in millions)</i>			
Financing trusts	242	41,627	238	43,845
Investment trusts	1,949	127,285	1,652	84,725
Administrative management trusts	<u>394</u>	<u>50,825</u>	<u>351</u>	<u>56,982</u>
Total	<u>2,585</u>	<u>219,737</u>	<u>2,241</u>	<u>185,552</u>

Note:

The "assets under management" as disclosed in the above table do not include the size of the insurance trusts (in terms of basic insurance amount) managed by the Company as at the corresponding dates, being RMB21,500 million (30 June 2024) and RMB15,869 million (31 December 2023). As at 30 June 2024 and 31 December 2023, the assets under management of the Company (including the size of insurance trusts) amounted to RMB241,237 million and RMB201,421 million, respectively.

The following table sets forth the revenue generated from each type of the Company's trusts for the periods indicated (in absolute amount and as percentage of the fee and commission income accounted for in the total income from trust business):

	For the six months ended 30 June			
	2024		2023	
	Revenue	%	Revenue	%
	<i>(Revenue: RMB in millions)</i>			
Financing trusts	151	55.3	263	62.5
Investment trusts	77	28.2	82	19.5
Administrative management trusts	45	16.5	76	18.0
Total	273	100.0	421	100.0

Trust Business Segmentation

Combined with the actual business and development plan, the trust business carried out by the Company can be further divided into the following types:

Asset Service Trusts

Asset service trust refers to the professional trust services such as wealth planning, intergenerational inheritance, custody, bankruptcy isolation and risk disposal which are entrusted by the trustors according to the trust legal relationships and are tailored by the trust company to meet the needs of trustors.

Family Trusts, Family Service Trusts, and Insurance Trusts

Family trust refers to the trust business in which the trust company accepts the entrustment of a single natural person or accepts the joint entrustment of a single natural person and his/her family, with the protection, inheritance and management of family wealth as the main trust purpose, and provides customised affairs management and financial services such as property planning, risk isolation, asset allocation, children's education, family governance, public welfare charity undertakings, etc. The initial establishment of a family trust shall have a paid-in trust of not less than RMB10 million, and the trustor shall not be the sole beneficiary. A trust business with the main purpose of pursuing the preservation and appreciation of the value of the trust property and the nature of special-purpose account management shall not be considered as a family trust. Family service trust refers to the trust business in which a trust company meeting the relevant conditions accepts the entrustment of a single natural person, or accepts the joint entrustment of a single natural person and his/her family, to provide services such as risk isolation, wealth protection and distribution. The initial establishment of a family service trust shall have a paid-in trust of not less than RMB1 million, a term of not less than five years, and the scope of investment is limited to trust plans, bank wealth management products, and other public asset management products with interbank deposits, standardised creditor's rights assets, and listed and traded stocks as the ultimate investment targets. An insurance trust is established by a trust company that accepts the entrustment of a single natural person, or accepts the joint entrustment of a single natural person and his/her family, with the relevant rights and benefits associated with a life insurance contract as well as the funds required for the subsequent payment of premiums as trust property. When the benefit conditions stipulated in the insurance contract are met, the insurance company shall transfer the corresponding funds to the corresponding trust account under the insurance contract, which shall be managed by the trust company pursuant to the trust documents.

In 2024, the domestic localisation of family trusts has gone through 11 years, and the industry has ushered in prosperous development. SITC is one of the earliest entrants into the family trust business in China, and family trust is a strategic business that SITC has adhered to and focused on for a long time. In recent years, the Company has continued to promote business model innovation, developed and formed mature business models for innovative services such as family service trust, insurance trust, equity family trust, family charity trust and foreign beneficiary trust, and continuously met the personalised, diversified and customised service needs of customers. The Company works to expand financial industry cooperation, internal and external linkage to improve customer service ability, and construct a service ecosystem. At present, the Company has established strategic cooperation relationship with large state-owned commercial banks

and national joint-stock commercial banks, and worked to grow cooperation with leading securities companies and insurance companies. At the same time, the Company attaches great importance to the application of financial technology in the field of family trust business. The Company developed, launched and keeps updating the new family trust comprehensive management platform system and client end, and implemented online management of the full process of family trust customers in various channels such as submission of application, contract generation, audio and video recording during contract signing, asset search and project duration management.

As at 30 June 2024, the Company had established over 4,600 family trusts, family service trusts and insurance trusts, with an existing scale of nearly RMB47 billion, which has always been in the forefront of the industry in recent years. The Company always insists on leading the business with faithful culture and service thinking, taking into account model innovation and industry expansion, and is committed to building the family trust brand of “De Shan Qi Jia”, which has been widely recognised by customers, experts, authoritative institutions and partners.

Other Individual Wealth Management Trusts, Legal Entities and Unincorporated Organisations Wealth Management Trusts

Other individual wealth management trusts cover the trust business in which the trust company accepts the trust of a single natural person to provide property protection and management services. The trust beneficiary rights of other individual wealth management trusts shall not be split and transferred, and the initial paid-in trust shall not be less than RMB6.0 million. As at 30 June 2024, the number of other existing individual wealth management trusts managed by the Company was 41, amounting to approximately RMB1.119 billion. The trust contracts generally provide the general investment scope as required by the principals, and the Company has been entrusted with the allocation of trust assets on a discretionary basis.

Wealth management trusts for legal persons and unincorporated organisations cover the type of business in which a trust company is entrusted by a single legal person or unincorporated organisation to provide trust services such as comprehensive financial planning, specific asset management and remuneration and benefit management. As at 30 June 2024, the number of wealth management trusts for legal persons and unincorporated organisations managed by the Company was 107, amounting to approximately RMB21.680 billion.

Asset Management Product Service Trusts

Entrusted by the asset management product managers, trust companies provide administrative management services such as operation custody, account management, transaction execution, share registration, accounting and valuation, fund clearing, risk management, execution supervision and information disclosure, etc. for individual asset management products, and is not involved in asset management activities such as fund-raising for asset management products, investment advice, investment decision-making, selection of investment cooperation institutions, etc. As at 30 June 2024, the asset management product service trust that is entrusted to be under the management of SITC amounted to RMB1.152 billion.

Asset Securitisation Service Trusts

Trust companies, as trustees, set up special purpose vehicles with the underlying assets of asset securitisation to provide entrusted services for the underlying asset for the asset securitisation business carried out in accordance with relevant regulations of financial regulators. It falls into four business types by the type of underlying assets and service targets: credit asset securitisation service trusts, corporate asset securitisation service trust, non-financial corporate asset-backed note service trust, and other asset securitisation service trust. As at 30 June 2024, the number of the Company's existing asset-backed securities projects was five, totalling RMB8.885 billion, involving ABN, CMBS, CMBN, etc. In its business development, the Company has forged good relationships with financial institutions, including large brokerage firms, large commercial banks, and many quality state-owned enterprises, and has accumulated experience in the selection and construction of underlying assets, asset transfer, information disclosure, and management of trust affairs. Embracing the future, the Company will continue to enhance its capabilities in asset pool construction, product structure design and pricing, and work to branch out into underwriting and investment.

Pre-paid Fund Service Trusts

Trust companies provide administrative management services such as trust property custody, equity registration, payment and settlement, execution supervision, information disclosure, liquidation and distribution of pre-paid funds, so as to achieve the trust purpose of property independence, risk isolation and fund security of pre-paid funds. The Company designed and launched the "An Xin Fu Series Service Trust". The business has covered three major industries, namely commercial retail, catering and accommodation and residential services. The Company utilises the advantages of property independence and risk isolation of the trust system

to actively assist the government in solving the problem of regulating prepaid funds and enhancing residents' confidence in consumption. In the future, the Company will explore and grow its business scenarios in an orderly manner.

Assets Management Trusts

Assets management trust is a self-benefiting trust and falls into a private asset management business in which the trust company sells trust products pursuant to a trust legal relationship and provides investment and management financial services to the investors of the trust products, which is subject to the Guiding Opinions on Regulating the Assets Management Business of Financial Institutions (Yin Fa [2018] No.106), and divided into four business types including fixed income trust plans, equity trust plans, commodities and financial derivatives trust plans, and hybrid trust plans. The trust company shall raise funds through non-public offering of a pooled fund trust scheme and manage the investment of the entrusted funds in accordance with the investment methods and ratios as agreed in the trust document. Investors of the trust plan are required to meet the standards of qualified investors and are both principals and beneficiaries at the time of the establishment of the trust.

SITC conducts asset management trust business mainly in the fields of capital markets, real estate, industrial and commercial enterprises, and infrastructure.

Securities Investment Trusts

Securities investment trust refers to an operation in which a trust company invests funds pooled under a fund trust program in such securities as are publicly issued and publicly traded on such trading venues as are in conformity with the law. The investment usually covers stocks listed and traded on stock exchanges, public securities investment funds, private securities investment funds, financial derivatives, corporate bonds, treasury bonds, convertible bonds, exchangeable bonds, asset-backed securities, treasury bond reverse repurchase, bank deposits, and other types of investments permitted by the regulator. Securities investment trust business can be categorised in ways from different dimensions. By the nature of investment, it can be classified into four business types: fixed income, equity, commodities and financial derivatives, and hybrid. Fixed income refers to trust schemes in which more than 80% of the funds are invested in debt assets such as deposits and bonds; equity refers to trust schemes in which more than 80% of the funds are invested in equity assets such as equities; commodities and financial derivatives refers to trust schemes in which the proportion of investment in commodities and financial derivatives is not less than 80%; and hybrid refers to trust schemes that invest in

multiple types of assets and where the proportion of investment in any one type of asset does not meet the aforementioned criteria. By the service contents and business models of trust companies, securities investment trusts can also be categorised into two types of business: self-managed and external advisor. The self-managed category refers to trust schemes in which the trust company, as the manager, independently selects securities products and investment strategies, independently conducts portfolio allocation, and directly makes investment decisions, while the external advisor category refers to trust schemes in which the trust company selects and hires an investment advisor to offer investment advice.

SITC set up a capital market business department to carry out capital market business, which consists of fixed income department, asset allocation department, securities service trust department, interbank securities service department, private securities service department, financial market department, comprehensive operation department and other professional departments, providing investors with different risk preferences and different maturities with various assets including fixed income, mixed income, equity and financial derivatives to meet their diversified investment and asset allocation needs. The Company continued to increase its investment in information technology in capital market business. At present, the Company has established an integrated information system covering the whole process of the project, including project management system, trust beneficial right management system, standard product investment management system and asset securitisation system, which can be used to conduct comprehensive management of the project, assets, customers, products, beneficial rights, business process, business account and risk control, and can provide commercial banks, bank financial subsidiaries, securities companies, private securities fund management companies and other interbank institutions with whole process trust services such as custody, trading, valuation and settlement of securities such as stocks, bonds and funds.

As at 30 June 2024, the Company's investment trust business in existing securities exceeded RMB1,000 billion. With a series of capital market deepening reform measures such as the comprehensive implementation of the stock issuance and registration system, the construction of China's multi-level capital market has been improved day by day, which provides a broad development platform and market space for trust companies to vigorously expand this kind of business.

Real Estate Trusts

Real estate trust refers to the business in which the trustor entrusts his/her legally owned funds to the trust company based on his/her trust in the trust

company, and the trust company invests the funds in real estate enterprises or real estate projects and carries out management, application and disposal in his/her own name according to the wishes of the trustor.

The models of real estate trust business mainly include loan financing, equity investment and innovative business models, such as real estate investment trusts (REITs). The Company selects national enterprises with high industry ranking and high credit rating and high-quality enterprises deeply developed in the region as its counterparties, and provides financial support for residential real estate and non-residential real estate (such as commercial real estate, logistics real estate, etc.) mainly through debt financing and equity investment. Over recent years, affected by the real estate market, the Company has witnessed a dip in its real estate trust business. Going forward, the Company will follow the national macro policy by complying with the regulatory orientation and reasonably judging the market landscape. This aims to support the construction of long-term rental and affordable housing and refresh our efforts in serving the needs of residents for reasonably rigid and improved housing.

Industrial and Commercial Enterprises Trusts

Industrial and commercial enterprises trust refers to the business that the trust company, as the trustee, accepts the trust property of the trustor in the form of single or collective trust, and applies the trust capitals to industrial and commercial enterprises such as production, service and trade according to the wishes of the trustor to manage, apply and dispose of the trust property. Industrial and commercial enterprises trust can solve the capital needs of enterprises in the process of operation, such as liquidity capital needs, merger and acquisition capital needs, etc.. Industrial and commercial enterprises trust is an important business for trust companies to comply with the guidance of national policies and guide social funds to invest in the real economy. It can meet the capital needs of enterprises through various methods, such as equity, creditor's rights, stock debt linkage, industrial funds and other ways. The counterparties of the Company's industrial and commercial enterprises trusts were mainly central enterprises, state-owned enterprises and listed companies with strong strengths and high credit ratings. Against the backdrop of the sluggish effective demand, lower-than-expected social expectations, growing risks, and severe and complex big picture, SITC will actively respond to the national call, flexibly use trust instruments, and increase its support to the real economy, especially small and medium-sized and micro enterprises, scientific and technological innovation, green development, "specialised and innovative" enterprises, industries with regional characteristics and advantages, and ecological protection in the Yellow River Basin, so as to help enhance the core competitiveness of the manufacturing industry and regional economic development.

Infrastructure Trusts

Infrastructure trust refers to a business in which a trust company, as a trustee, accepts the trustor's funds in the form of single or collective trust, and uses the trust funds for infrastructure projects such as transportation, communication, energy, municipal administration and environmental protection, and carries out management, application or disposal. The industries involved in infrastructure trust mainly include electric power, water conservancy, road traffic, municipal engineering, etc. Trust companies can provide financial support for infrastructure projects through loans, account receivables and asset securitisation. Infrastructure trust usually takes business operation income and government financial investment as repayment sources. The counterparties of the Company's infrastructure trusts were mainly state-owned enterprises.

SITC will seize the opportunity of the country to invest in infrastructure moderately in advance. While serving the traditional infrastructure construction, it will increase its support for new infrastructure represented by 5G network, artificial intelligence and industrial internet, so as to better serve the high-quality development of the real economy.

Public Welfare Charitable Trusts

Public welfare charitable trust comes as a trust business in which the trustor entrusts its property to a trust company in accordance with the law for the purpose of public welfare, and the trust company manages and disposes of the property in question and carries out public welfare charitable activities in the name of the trust company as the wishes of the trustor. The trust property of a charitable trust and its income shall not be used for purposes other than public welfare. Public welfare charitable trusts come under the two types of business of charitable trusts and other public welfare trusts in accordance with the purpose of the trust as follows: (1) charitable trusts, where the trustor entrusts its property to the trust company for charitable purposes in accordance with the law, and the trust company manages and disposes of it and carries out the charitable activities in the name of the trustee as the wishes of the trustor; and (2) other public welfare trusts: apart from charitable trusts, other public welfare trusts authorised by the regulator are carried out by trust companies in accordance with the Trust Law of the PRC. The service areas of public welfare charitable trust mainly include poverty alleviation, poverty relief, supporting the elderly, rescuing orphans, rescuing from natural disasters, accidents and public health events. The state has always encouraged and supported the development of public welfare charitable trusts, and has provided many policy supports in venture capital withdrawal, Trust Industry Protection Fund subscription, etc.

As at 30 June 2024, the Company has established 45 standardised charitable trusts with a cumulative delivery scale of about RMB148.45 million, and has used trust funds of about RMB23 million according to the wishes of the clients, with 7,300 direct beneficiaries. The charitable projects spread all over Shandong, Shanxi, Shaanxi, Anhui, Fujian, Jiangsu, Yunnan and other provinces and cities, which strongly promoted the development of public welfare undertakings such as providing financial aid to students, offering financial help to the poor, alleviating poverty and helping the disabled. The development of poverty alleviation and other public welfare undertakings have effectively met the needs of individuals, enterprises, social organisations and government departments in public welfare and charity and social responsibility.

As one of the earliest institutions in China to carry out charitable trust business, SITC has always adhered to the philosophy of giving equal importance to business development and model upgrading. Accumulating rich business experience, SITC has cultivated industry-leading professional capabilities, and continuously broadened the participating entities and business connotations of charitable trusts, leading the new trend of industry development. In February 2024, the first charitable trust with a double-trustee model was implemented in the Shandong Province. In April 2024, the first charitable trust with a foreign trustee was implemented in the trust industry. SITC will continue to deepen its roots in the field of charitable trusts, continuously improve its customised services and professional standards, use charitable trusts as a link to drive more forces to participate in public welfare and charity, so as to jointly promote common prosperity, and contribute more positive energy to the harmony and development of society.

3.2.2 Proprietary Business

In the first half of 2024, in order to reasonably optimise the allocation of its own funds and improve the operational standard of its own funds, the Company insisted on the strategy of combining long-term, mid-term and short-term assets, and made reliable investments with its own funds. Firstly, the Company fully utilised the synergy between the proprietary business and the trust business, and provided great support for standardised products and the transformation and innovation products so as to assist the transformation and development of the Company's business. Secondly, the Company further optimised the asset structure, actively dealt with inefficient assets, and improved the quality of proprietary assets. Thirdly, with safety and liquidity being assured, diversified investment and efficient use of liquidity capital for short-term operations such as government bonds purchased under agreements to resell, investment in monetary fund and cash management trust schemes were actively carried out to improve capital

utilisation efficiency. The Company recorded segment income of RMB317.3 million from its proprietary business in the first half of 2024, representing a period-on-period decrease of 24.5%, mainly due to: (1) the increase in the gains from changes in fair value from RMB212.1 million in the first half of 2023 to RMB241.8 million in the first half of 2024; (2) the decrease in investment income from RMB133.8 million in the first half of 2023 to RMB42.1 million in the first half of 2024; and (3) the Company recorded net interest income of RMB34.9 million in the first half of 2023 and net interest expense of RMB4.7 million in the first half of 2024.

Allocation of Proprietary Assets

Pursuant to the Administrative Measures on Trust Companies (《信託公司管理辦法》) issued by the former China Banking and Insurance Regulatory Commission (“**former CBIRC**”, replaced by the National Financial Regulatory Administration (“**NFRA**”) since May 2023) in January 2007, trust companies may engage in the following proprietary businesses: (i) deposits at banks and other financial institutions, (ii) loans, (iii) leasing, and (iv) investments, which include equity investments in financial institutions, investments in financial products and investments in fixed assets for self-use.

In conducting proprietary business, the Company allocates its proprietary assets into different asset classes and invests in businesses with strategic value for the Company’s trust business in order to maintain and increase the value of its proprietary assets. The Company manages and invests its proprietary assets according to its annual assets allocation plans, which are formulated by the management of the Company and approved by the Board of Directors. The Company makes strategic long-term investments in a number of financial institutions, which helps to establish stronger business relationships with these financial institutions and create synergies for its operations. The Company also invests its proprietary assets in various types of equity products, such as listed stock and mutual funds, as well as wealth management products. The Company keeps a reasonable amount of its proprietary assets in highly liquid form, such as deposits at banks and other financial institutions and government bonds in order to maintain the Company’s liquidity and satisfy capital requirement for the expansion of its trust business.

The following table sets forth the allocation of our proprietary assets managed by the Company as our proprietary business as at the dates indicated:

	30 June 2024	31 December 2023 (Audited)
	<i>(RMB in thousands)</i>	
Investments in Monetary Assets	788,662	628,173
Cash at banks	123,241	168,505
Other monetary assets	418,389	64,619
Government bonds purchased under agreements to resell	247,032	395,049
Securities Investments	9,187,712	10,019,091
<i>Investment in equity products</i>	1,956,787	2,264,800
Listed stock investment classified as:		
– Financial assets held for trading	1,588,088	1,481,481
Subtotal	1,588,088	1,481,481
Public fund investments classified as:		
– Financial assets held for trading	368,699	783,319
Subtotal	368,699	783,319
<i>Investment in wealth management products</i>		
Investments in consolidated trust schemes	2,442,393	2,633,387
Investment in unconsolidated trust schemes classified as financial assets held for trading	298,046	518,630
Investment in unconsolidated trust schemes classified as debt investments	169,963	189,079
Other financial investment classified as debt investments	3,652,392	3,464,378
Bond investments	14,085	11,600
Asset management products	649,046	937,217
Bank wealth management	5,000	–
Long-Term Equity Investments	1,269,530	1,153,095
Investment accounted for using the equity method	390,493	521,591
Investment classified as financial assets held for trading	879,037	631,504
Proprietary Loans Trust	173,368	115,627
Trust Industry Protection Fund	113,962	111,448
Total	11,533,234	12,027,434

Monetary Assets

This is the safest and most liquid type of proprietary investment of the Company. The balance of the Company's investment in monetary assets and the Company's investment return (in terms of interest income generated) at the indicated periods are summarised below:

	30 June 2024	31 December 2023 (Audited)
		<i>(RMB in thousands)</i>
Investment in monetary assets		
– Cash at banks	123,241	168,505
– Other monetary assets	418,389	64,619
– Government bonds purchased under agreements to resell	247,032	395,049
	<u>788,662</u>	<u>628,173</u>
Total	<u>788,662</u>	<u>628,173</u>

	For the six months ended 30 June	
	2024	2023
		<i>(RMB in thousand)</i>
Interest income generated from:		
– Cash at banks	638	1,131
– Government bonds purchased under agreements to resell	2,141	9,947
	<u>2,779</u>	<u>11,078</u>
Total	<u>2,779</u>	<u>11,078</u>

Average investment return of the Company's monetary assets (calculated as the total of investment income (in terms of interest income received), annualised as a percentage of average investment balance in such monetary assets, where appropriate) were 1.4% and 0.8% for the six months ended 30 June 2023 and for the six months ended 30 June 2024.

Securities Investments

Under the annual assets allocation plan of the Company, a certain percentage of the Company's proprietary assets would be allocated to securities investments including listed stock investments and public fund investments, as well as wealth management products, including investments in the consolidated and unconsolidated trust schemes and asset management products.

The following table sets forth the risk category of the underlying investments and average investment balance of the Company's securities investments for the periods indicated:

	For the six months ended 30 June 2024	For the year ended 31 December 2023 (Audited)
	<i>(RMB in millions, except risk category)</i>	
Risk category of underlying investments		
– Equity products	High	High
– Trust schemes	Medium	Medium
– Debt investments	Medium	Medium
– Bond investments	Medium	Medium
– Asset management products	Medium	Medium
– Bank wealth management	Medium	N/A
Average investment balance⁽¹⁾		
– Equity products	2,110.8	1,890.2
– Trust schemes	3,125.7	2,788.7
– Debt investments	3,558.4	3,554.8
– Bond investments	12.8	166.2
– Asset management product	793.1	812.4
– Bank wealth management	2.5	–

Note:

- (1) Average of the opening balance and the closing balance of each category of investments held by the Company for the year/period indicated, before consolidation of the consolidated structured entities.

The Company contemporaneously adjusted the allocation of its proprietary assets in securities investment according to market conditions. During the Reporting Period, the average balance of the Company's investments in equity products increased by 11.7% from RMB1,890.2 million in 2023 to RMB2,110.8 million in the first half of 2024; the average balance of investments in trust schemes increased by 12.1% from RMB2,788.7 million in 2023 to RMB3,125.7 million in the first half of 2024; the average balance of the debt investments increased by 0.1% from RMB3,554.8 million in 2023 to RMB3,558.4 million in the first half of 2024; the average balance of bond investments decrease by 92.3% from RMB166.2 million in 2023 to RMB12.8 million in the first half of 2024; the average balance of investments in asset management products decreased by 2.4% from RMB812.4 million in 2023 to RMB793.1 million in the first half of 2024; and the average balance of investments in bank wealth management products in the first half of 2024 amounted to RMB2.5 million.

Long-Term Equity Investments

The Company made strategic long-term investments in a number of financial institutions, which helped the Company establish stronger business relationships with these financial institutions and created synergies for its business operations. The following table sets forth the major equity investments of the Company in financial institutions as at 30 June 2024, including their main businesses, the Company's proportionate equity interests in them, whether the Company held any board seats, the date of the Company's first investment, and the relevant accounting treatment of each investment.

Name	Main business	Equity interest as at 30 June 2024	Board seat	First investment date	Accounting treatment
Sinotruk Auto Finance Co., Ltd.	Automobile finance	6.52%	Yes	September 2015	Investments accounted for using the equity method
Taishan Property & Casualty Insurance Co., Ltd.	Insurance products and services	7.40%	Yes	December 2010	Investments accounted for using the equity method
Dezhou Bank Co., Ltd.	Commercial banking services	2.37%	No	December 2010	Financial assets held for trading
Minsheng Securities Co., Ltd.	Securities brokerage, securities asset management and proprietary investment	1.17%	No	January 1999	Financial assets held for trading

The Company uses the equity method to account for its long-term equity interests in companies that constituted associates of the Company under CASBE, and account for the Company's long-term equity investments in other companies as financial assets held for trading under the requirements of CASBE No. 22 "Recognition and Measurement of Financial Instruments" since 1 January 2018.

The balance of the Company's long-term equity investments (including those accounted for as associates using the equity method, financial assets held for trading) together with their investment return (in terms of dividend income generated) for the periods indicated below are summarised as follows:

	30 June 2024	31 December 2023 (Audited)
	<i>(RMB in thousand)</i>	
Long-term equity investments, accounted for:		
– As associate using the equity method	390,493	521,591
– Investment categorised as financial assets held for trading	879,037	631,504
	<u>879,037</u>	<u>631,504</u>
Total	<u>1,269,530</u>	<u>1,153,095</u>

**For the six months
ended 30 June
2024** 2023
(RMB in thousand)

Dividend income generated from:		
– As associate using the equity method	–	781
– Investment categorised as financial assets held for trading	1,991	–
	<u>1,991</u>	<u>–</u>
Total	<u>1,991</u>	<u>781</u>

The average investment returns of the Company's long-term equity investments (calculated as the total of the investment income (in terms of the dividend income received), annualised as a percentage of average investment balance in such long-term equity investments, where appropriate) were 0.1% and 0.3% for the six months ended 30 June 2023 and for the six months ended 30 June 2024, respectively.

Proprietary Loans

While the Company is allowed to grant proprietary loans to its customers, it does not engage in such business on a regular basis. As at 31 December 2023 and 30 June 2024, the outstanding balance of the Company's proprietary loans were RMB115.6 million and RMB173.4 million, respectively.

Trust Industry Protection Fund

According to the Administrative Measures on Trust Industry Protection Fund (《信託業保障基金管理辦法》) issued by the former CBIRC in December 2014, trust companies are required to subscribe for a certain amount of the protection fund when conducting business. The Company's interests in the Trust Industry Protection Fund increased by 2.3% from RMB111.4 million as at 31 December 2023 to RMB114.0 million as at 30 June 2024.

3.3 Financial Overview

Analysis of Unaudited Interim Condensed Consolidated Income Statement

In the first half of 2024, the Company achieved a net profit of RMB170.5 million, representing a decrease of RMB4.6 million, or 2.6%, as compared to the corresponding period of last year.

3.3.1 Results of Operations

The following table summarises the Group's results of operations for the periods indicated:

Item	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
I. Total operating income	587,752	836,157
Net Interest Income	-4,550	35,014
Including: Interest income	24,969	75,332
Interest expense	29,519	40,318
Net fee and commission income	270,763	418,612
Including: Fee and commission income	272,635	421,229
Fee and commission expenses	1,872	2,617
Investment income	42,144	133,775
Including: Income from investment in associates and joint ventures	2,115	10,153
Gains from changes in fair value	241,813	212,071
Gains from changes in net assets attributable to third-party investors in consolidated structured entities	27,319	31,763
Other operating income	10,389	4,899
Gains on disposal of assets	-126	23
II. Total operating costs	295,780	447,435
Tax and surcharges	2,953	5,193
Business and administrative expenses	132,812	163,971
Credit impairment losses	154,963	278,020
Impairment losses on other assets	2,065	–
Other operating costs	2,987	251
III. Operating profit	291,972	388,722
Add: Non-operating income	462	2,922
Less: Non-operating expenses	39,107	115,722
IV. Total profit	253,327	275,922
Less: Income tax expenses	82,819	100,845
V. Net profit	170,508	175,077

3.3.2 Total Operating Income

Net Interest Income

The following table summarises the breakdown of the Group's net interest income for the periods indicated:

Item	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
Interest income	24,969	75,332
Including: Balance of cash and bank deposits	741	1,133
Loans and advances to customers	16,332	54,083
Debt investments	5,687	9,976
Financial assets purchased under resale agreements	2,141	10,036
Others	68	104
Interest expense	29,519	40,318
Including: Short-term borrowings	22,155	28,182
Income attributable to third-party trust beneficiaries of consolidated structured entities	6,298	10,410
Others	1,066	1,726
Net interest income	<u><u>-4,550</u></u>	<u><u>35,014</u></u>

The Group's net interest expense in the first half of 2024 amounted to RMB4.6 million, as compared to a net interest income of RMB35.0 million in the corresponding period of last year, mainly due to the interest income changed from RMB75.3 million for the first half of 2023 to RMB25.0 million for the first half of 2024, of which the interest income of the loans granted by the Group decreased from RMB54.1 million in the first half of 2023 to RMB16.3 million in the first half of 2024, and the interest expense in the first half of 2024 amounted to RMB29.5 million, representing a decrease of RMB10.8 million as compared to the corresponding period of last year.

Net Fee and Commission Income

The following table summarises the breakdown of the Group's net fee and commission income for the periods indicated:

Item	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
Fee and commission income	272,635	421,229
Including: Trustee's remuneration	246,518	394,913
Others	26,117	26,316
Fee and commission expenses	1,872	2,617
Including: Guarantee fee	1,831	2,321
Others	41	296
Net fee and commission income	270,763	418,612

The Group's net fee and commission income in the first half of 2024 was RMB270.8 million, representing a decrease of 35.3% as compared to RMB418.6 million in the first half of 2023, which was mainly due to a decrease of 35.3% in fee and commission income from RMB421.2 million in the first half of 2023 to RMB272.6 million in the first half of 2024.

Investment Income

The following table summarises the breakdown of the Group's investment income for the periods indicated:

Item	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
Income from long-term equity investments accounted for using equity method	2,115	10,153
Investment income from holding financial assets	33,163	124,422
Investment income from disposal of long-term equity investments	6,819	–
Investment income from disposal of loans and other debt investments	47	-800
Total	42,144	133,775

The Group's investment income in the first half of 2024 was RMB42.1 million, representing a decrease of RMB91.7 million as compared to RMB133.8 million in the first half of 2023, which was due to the period-on-period decrease of RMB91.2 million in investment income from holding financial assets of the Group in the first half of 2024.

Gains from Changes in Fair Value

	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
Source of gains from changes in fair value		
Financial assets held for trading	243,236	212,071
Enterprises invested by the consolidated structured entities	-1,423	-
	<u>241,813</u>	<u>212,071</u>
Total	241,813	212,071

The Group's gains from changes in fair value increased from RMB212.1 million in the first half of 2023 to RMB241.8 million in the first half of 2024, mainly due to the increase in gains from changes in fair value of the Group's financial assets held for trading such as equity investment in the first half of 2024.

3.3.3 Total Operating Costs

Business and Administrative Expenses

The following table summarises the breakdown of the Group's business and administrative expenses for the periods indicated:

Item	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
Employee benefits	72,269	93,045
Depreciation and amortisation	29,929	31,832
Legal and professional fees	3,137	4,513
Network expenses	7,440	3,385
Promotional expenses	4,100	6,401
Lease charges	3,801	4,526
Business hospitality expenses	1,482	2,567
Travel expenses	1,556	2,278
Office expenses	236	589
Others	8,862	14,385
Total	132,812	163,971

The Group's business and administrative expenses in the first half of 2024 were RMB132.8 million, representing a decrease of 19.0% as compared with RMB164.0 million in the first half of 2023, which was mainly due to the decrease in the Group's employee benefits and other administrative expenses.

Credit Impairment Losses

The following table summarises the breakdown of the Group's credit impairment losses for the periods indicated:

Item	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
Losses on bad debts of accounts receivable	2,932	8,297
Losses on bad debts of other receivables	5,329	16,575
Impairment losses on loans and advances to customers	51,097	61,134
Impairment loss on debt investments	95,605	192,014
Total	154,963	278,020

The Group's credit impairment losses decreased by 44.3% from RMB278.0 million in the first half of 2023 to RMB155.0 million in the first half of 2024, mainly due to a period-on-period decrease in provisions made in the first half of 2024 as a result of the actual credit risk profile and previous provisions made.

Non-operating Expenses

Item	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
Compensation expenses	39,090	114,431
Penalty expenses	–	400
Losses on retirement of non-current assets	16	891
Others	1	–
Total	39,107	115,722

The Group's non-operating expenses decreased from RMB115.7 million in the first half of 2023 to RMB39.1 million in the first half of 2024, mainly due to the significant decrease in expected compensation expenses for litigation.

Total Profit and Operating Margin

The following table summarises the total profit and operating margin for the periods indicated:

	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
Total profit	253,327	275,922
Operating margin ⁽¹⁾	<u>43.1%</u>	<u>33.0%</u>

Note:

(1) Operating margin = Total profit/total operating income.

As a result of the foregoing, the Group's total profit decreased from RMB275.9 million in the first half of 2023 to RMB253.3 million in the first half of 2024, and operating margin increased from 33.0% in the first half of 2023 to 43.1% in the first half of 2024.

Income Tax Expenses

Item	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
Income tax expenses for the year	67,234	147,164
Deferred income tax expenses	<u>15,585</u>	<u>-46,319</u>
Total	<u>82,819</u>	<u>100,845</u>

The Company recorded an income tax expense of RMB100.8 million in the first half of 2023 and an income tax expense of RMB82.8 million in the first half of 2024, mainly due to a period-on-period decrease in the Group's total profit for the year in the first half of 2024.

Net Profit and Net Profit Margin

The following table summarises the net profit and net profit margin for the periods indicated:

	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
Net profit	170,508	175,077
Net profit margin ⁽¹⁾	<u>29.0%</u>	<u>20.9%</u>

Note:

(1) Net profit margin = Net profit/total operating income.

As a result of the foregoing reasons, the net profit decreased from a gain of RMB175.1 million in the first half of 2023 to RMB170.5 million in the first half of 2024, and net profit margin increased from 20.9% in the first half of 2023 to 29.0% in the first half of 2024.

3.3.4 Segment Results of Operations

From the business perspective, the Company conducts its business through two main business segments: trust business and proprietary business. The following table sets forth the Group's segment income and its main components for the periods indicated:

	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
Trust business:		
Operating income	<u>270,866</u>	<u>418,718</u>
Segment income	<u>270,866</u>	<u>418,718</u>
Proprietary business:		
Operating income	316,886	417,439
Non-operating income	<u>462</u>	<u>2,922</u>
Segment income	<u>317,348</u>	<u>420,361</u>

The following table sets forth the Group's segment operating expenses for the periods indicated:

	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
Trust business:		
Operating expenses	129,690	165,683
Non-operating expenses	39,076	115,641
	<u>168,766</u>	<u>281,324</u>
Segment expenses	<u>168,766</u>	<u>281,324</u>
Proprietary business:		
Operating expenses	166,090	281,752
Non-operating expenses	31	81
	<u>166,121</u>	<u>281,833</u>
Segment expenses	<u>166,121</u>	<u>281,833</u>

The following table sets forth the Group's total profit for the periods indicated, which is calculated as segment income minus segment operating expenses:

	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
Trust business	102,100	137,394
Proprietary business	151,227	138,528
	<u>253,327</u>	<u>275,922</u>
Total profit	<u>253,327</u>	<u>275,922</u>

The following table sets forth the Group's segment margin for the periods indicated, which is calculated as total profit divided by the segment income:

	For the six months ended 30 June	
	2024	2023
	<i>(RMB in thousand)</i>	
Trust business	37.7%	32.8%
Proprietary business	47.7%	32.9%

3.3.5 Trust Business

The segment income from the Group's trust business consists of its net fee and commission income and interest income from cash and bank deposits balance. Segment operating expenses of the Group's trust business mainly consist of tax and surcharges, business and administrative expenses, other business costs and non-operating expenses that are related to the Group's trust business.

The total profit of the Group's trust business decreased by 25.7% from RMB137.4 million in the first half of 2023 to RMB102.1 million in the first half of 2024, primarily due to a decrease of 35.3% in the segment income from the trust business from RMB418.7 million in the first half of 2023 to RMB270.9 million in the first half of 2024, which was offset by a decrease of 40.0% in segment operating expenses from the trust business from RMB281.3 million in the first half of 2023 to RMB168.8 million in the first half of 2024.

- (1) The decrease in the segment income from the trust business was mainly due to a decrease in the Group's net fee and commission income from RMB418.6 million in the first half of 2023 to RMB270.8 million in the first half of 2024.

- (2) The decrease in the segment operating expenses from the trust business was mainly due to (1) a decrease in administrative expenses related to trust business of the Group from RMB161.0 million in the first half of 2023 to RMB124.5 million in the first half of 2024; and (2) a decrease in non-operating expenses related to trust business from RMB115.6 million in the first half of 2023 to RMB39.1 million in the first half of 2024.

As a result of the foregoing, the segment profit margin of the trust business increased from 32.8% in the first half of 2023 to 37.7% in the first half of 2024.

3.3.6 Proprietary Business

The segment income from the Group's proprietary business mainly consists of the net interest income, gains from changes in fair value, investment income, etc.. The segment operating expenses of the Group's proprietary business mainly consists of tax and surcharges, business and administrative expenses and credit impairment losses that are related to the Group's proprietary business.

The total profit of the Group's proprietary business increased by 9.2% from RMB138.5 million in the first half of 2023 to RMB151.2 million in the first half of 2024, primarily due to a decrease of 41.1% in the segment operating expenses from the proprietary business from RMB281.8 million in the first half of 2023 to RMB166.1 million in the first half of 2024, which was partially offset by a decrease of 24.5% in the segment income from the proprietary business from RMB420.4 million in the first half of 2023 to RMB317.3 million in the first half of 2024.

- (1) The decrease in the segment operating expenses from the proprietary business was mainly due to a decrease in the provision for impairment losses on credit assets from RMB278.0 million in the first half of 2023 to RMB155.0 million in the first half of 2024.
- (2) The decrease in segment income from the proprietary business was mainly due to (i) the increase in the gains from changes in fair value from RMB212.1 million in the first half of 2023 to RMB241.8 million in the first half of 2024; (ii) the decrease in investment income from RMB133.8 million in the first half of 2023 to RMB42.1 million in the first half of 2024; and (iii) recorded net interest income of RMB34.9 million in the first half of 2023 and net interest expense of RMB4.7 million in the first half of 2024.

As a result of the above, the segment profit margin of the proprietary business increased from 32.9% in the first half of 2023 to 47.7% in the first half of 2024.

3.3.7 Selected Interim Condensed Consolidated Financial Positions

The Group's interim condensed consolidated statements of financial positions include the proprietary assets and liabilities of the Company as well as the assets and liabilities of the Company's consolidated trust schemes. The net assets attributable to third-party beneficiaries of the Company's consolidated trust schemes are accounted for as liabilities in the Group's interim condensed consolidated statements of financial positions.

Assets

As at 31 December 2023 and 30 June 2024, the total assets of the Group (including the Company and the trust schemes over which the Company has control) amounted to RMB14,168.9 million and RMB13,699.8 million, respectively, of which the total assets of the Company amounted to RMB13,249.8 million and RMB12,848.8 million, respectively. The Group's major assets consist of (i) loans and advances to customers, (ii) debt investments, (iii) long-term equity investments, (iv) financial assets held for trading, (v) monetary assets, (vi) accounts receivable, and (vii) financial assets purchased under resale agreements. As at 30 June 2024, the above-mentioned major assets accounted for 14.8%, 34.1%, 5.2%, 28.8%, 4.2%, 1.3% and 1.8% of the total assets of the Group, respectively.

Loans and Advances to Customers

The following table sets forth the principal amount of the Group's loans and advances to customers, interest receivable, expected credit losses ("ECL") allowance, net amount of the Group's loans and advances to customers:

Item	30 June 2024	31 December 2023 (Audited)
		<i>(RMB in thousand)</i>
Principal amount of loans and advances to customers	2,308,495	2,428,707
Including: Issued by the Company	168,696	115,000
Issued by consolidated structured entities	2,139,799	2,313,707
Interest receivable	98,852	125,371
Less: ECL allowance – principal amount	353,779	339,299
ECL allowance – interest receivable	29,337	13,254
Loans and advances to customers, net	<u>2,024,231</u>	<u>2,201,525</u>

The majority of the Group's loans and advances to customers were granted by the Company's consolidated trust schemes.

The Group's loans and advances to customers were all granted to corporate customers during the Reporting Period.

Some of the loans granted by the Group's trust schemes to which it made proprietary investment and consolidated into the Group's financial statements were identified as impaired during the Reporting Period. The gross amount of such impaired loans increased by 158.6% from RMB748.0 million as at 31 December 2023 to RMB1,934.2 million as at 30 June 2024. The aggregate fair value of collateral (estimated based on the latest external valuations available and adjusted by the experience of realisation of the collateral in current market conditions) for such loans outstanding as at 31 December 2023 and 30 June 2024 were RMB897.3 million and RMB2,523.9 million, respectively. The Group determined the provision for impairment losses on those loans through ECL assessments and made allowance for impairment of RMB180.9 million and RMB335.9 million for these impaired loans as at 31 December 2023 and 30 June 2024, respectively, representing 24.2% and 17.4% of the gross amount of those loans, respectively. The Group has provided impairment allowances in accordance with the provisions under CASBE No.22 "Recognition and Measurement of Financial Instruments". Such impairment allowances were measured by the difference between the carrying amount of those impaired loans and the present value of estimated future cash flows of those loans. The gross amount of such impaired loans represented 30.8% and 83.8% of the Group's gross loans and advances to customers as at 31 December 2023 and 30 June 2024, respectively.

The Company is allowed to grant loans to customers using its proprietary assets, which are referred to as the Company's proprietary loans. As at 30 June 2024, the principal balance of Company's proprietary loans was RMB168.7 million, representing an increase of RMB53.7 million, or 46.7%, as compared with the beginning of the year.

The following table sets forth the gross amount of the Company's proprietary loans, interest receivable, ECL allowance, net amount of such loans:

	30 June 2024	31 December 2023 (Audited)
	<i>(RMB in thousand)</i>	
Principal amount of loans and advances to customers	168,696	115,000
Interest receivable	11,283	7,526
Less: ECL allowance – principal	6,277	6,475
ECL allowance – interest receivable	334	424
Loans and advances to customers, net	<u>173,368</u>	<u>115,627</u>

As the Company's proprietary loans were granted to counterparty clients of the Company, changes in the amount of such loans during the Reporting Period mainly reflected the Company's agreements with different counterparty clients at different times.

Debt Investments

The following table sets forth the Company's total debt investments, ECL allowance, net debt investments as at the dates indicated:

	30 June 2024	31 December 2023 (Audited)
		<i>(RMB in thousand)</i>
Principal	7,097,188	6,813,115
Interest receivable	16,547	17,822
Total	7,113,735	6,830,937
Less: ECL allowance – principal	2,437,564	2,321,985
ECL allowance – interest receivable	2,255	1,695
Net amount	<u>4,673,916</u>	<u>4,507,257</u>

Long-Term Equity Investments

The Group has made equity investments in various companies. When the Group has significant influence but no control over an investment target company, the Group treats such investment target company as an associate. The following table sets forth the associates directly invested by the Company accounted for using the equity method, the enterprises invested by the consolidated structured entities and the book value of investments in them as at the dates indicated:

	Equity interest as at 30 June 2024	As at 30 June 2024	As at 31 December 2023 (Audited)
			<i>(RMB in thousand)</i>
Associates directly invested by the Company accounted for using equity method:			
Taishan Property & Casualty Insurance Co., Ltd. (泰山財產保險股份有限公司)	7.40%	161,089	162,278
Sinotruk Automobile Finance Co., Ltd. (重汽汽車金融有限公司)	6.52%	225,803	225,155
Dezhou Bank Co., Ltd. (德州銀行股份有限公司)	-	-	130,250
Anhui Luxin Private Equity Investment Fund Management Co., Ltd. (安徽魯信私募股權投資基金管理有限公司)	25.00%	3,601	3,908
Subtotal		<u>390,493</u>	<u>521,591</u>
Enterprises invested by the consolidated structured entities		<u>321,055</u>	<u>322,478</u>
Total		<u>711,548</u>	<u>844,069</u>

Financial Assets Held for Trading

The following table sets forth the components and amount of the Group's financial assets held for trading as at the dates indicated:

	As at 30 June 2024	As at 31 December 2023 (Audited)
	<i>(RMB in thousand)</i>	
Financial assets at FVTPL	3,946,705	4,506,455
Including: Stock investments	1,588,088	1,481,481
Public fund investments	368,699	783,319
Investment in asset management scheme	649,046	937,217
Bond investments	14,085	11,628
Equity investments in unlisted companies	909,404	661,872
Trust Industry Protection Fund	114,337	112,308
Investments in trust schemes	298,046	518,630
Bank wealth management	5,000	–
Total	<u>3,946,705</u>	<u>4,506,455</u>

Significant Investments

The Company holds shares of China Zheshang Bank Co., Ltd. (“**CZ Bank**”). CZ Bank is principally engaged in corporate and retail banking services, treasury business and other commercial banking business. The A shares and H shares of CZ Bank are listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (A share stock code: 601916, H share stock code: 2016), respectively. As at 31 December 2023 and 30 June 2024, the Company held 579,592,903 A shares of CZ Bank, representing 2.11% of its total share capital. The investment cost was RMB1.179 billion, and the fair value was RMB1.425 billion and RMB1.562 billion, representing 10.1% and 11.4% of the total assets of the Company as at 31 December 2023 and 30 June 2024, respectively. In 2023, the Company recognised RMB252.7 million as operating income from its investment in CZ Bank, among which RMB245.7 million was recognised as gains from changes in fair value and RMB7.0 million was recognised as investment income (including disposal gain of RMB4.7 million and dividend income of RMB2.3 million), respectively. In the first half of 2024, the Company recognised RMB232.7 million as operating income from its investment in CZ Bank, among which RMB137.7 million was recognised as gains from changes in fair value and RMB95.0 million was recognised as investment income (being dividend income), respectively. The management of the Company expects the future business development of CZ Bank to be stable.

The changes in the major composition of the Group's financial assets held for trading were due to the flexible adjustment of portfolio based on the market conditions by the Group in order to increase investment returns. Financial assets held for trading decreased by 12.4% from RMB4,506.5 million as at 31 December 2023 to RMB3,946.7 million as at 30 June 2024, primarily due to the Group's (i) decrease of the public fund investments; (ii) decrease of the investments in asset management schemes; (iii) increase of the equity investments in unlisted companies; (iv) decrease of the investments in trust schemes; and (v) increase in stock investments.

Monetary Assets

As at 31 December 2023 and 30 June 2024, the balance of the Group's monetary assets amounted to RMB283.9 million and RMB581.2 million, respectively, of which RMB233.1 million and RMB541.6 million, respectively, were proprietary assets of the Company, and the remaining was cash and bank balance of the Group's consolidated trust schemes.

Accounts Receivable

Accounts receivable of the Group represents the trustee's remuneration that has accrued to the Company as the trustee but has not yet been paid from the trust accounts of its unconsolidated trust schemes to the Company's proprietary accounts.

Trustee's remuneration receivable of the Group increased by 1.8% from RMB172.5 million as at 31 December 2023 to RMB175.6 million as at 30 June 2024. The Company, as the trustee, has closely monitored the trust accounts of its unconsolidated trust schemes, and the Company is usually allowed to collect its trustee's remuneration in arrears in one or more instalments according to the trust contracts. The Company is normally allowed only to receive trustee's remuneration after the trust has paid its quarterly dividends, and the Company expects to continue to have certain amount of trustee's remuneration receivable in the future. As at 31 July 2024, 19.5% of the trustee's remuneration receivable was recovered.

Financial Assets Purchased under Resale Agreements

The Group's financial assets purchased under resale agreements consist of the government bond purchased under agreements to resell as part of its proprietary business.

The Group's government bond purchased under agreements to resell decreased from RMB395.0 million as at 31 December 2023 to RMB247.0 million as at 30 June 2024. These changes were due to the flexible adjustment of the business scale of the Company's government bond purchased under agreements to resell based on the overall market condition and interest rates, and such adjustment resulted in a change in the amounts of the Company's government bond purchased under agreements to resell as at 31 December 2023 and 30 June 2024, respectively.

Liabilities

As at 31 December 2023 and 30 June 2024, the Group's total liabilities amounted to RMB3,079.5 million and RMB2,442.7 million, respectively. As a trust company in the PRC, the Company is not allowed to incur any debt in operating its business other than through inter-bank borrowings or otherwise allowed by the NFRA. The Group's major liabilities during the Reporting Period included short-term borrowings, employee benefits payable, provisions and other liabilities. As at 30 June 2024, the above liabilities accounted for 22.6%, 4.1%, 5.3%, and 64.2% of the Group's total liabilities, respectively.

Short-term Borrowings

As at 30 June 2024, the Group's short-term borrowings amounted to RMB550.9 million were interest-bearing loans from China Trust Protection Fund Co., Ltd. which will fall due in June (as the due date of 30 June was a non-business day, the repayment date was postponed to the next business day in accordance with the agreement), September 2024 and April, June 2025, respectively.

Provisions

As at 30 June 2024, the Group's provisions amounted to RMB129.7 million were estimated litigation compensation.

Other Liabilities

The Group's other liabilities during the Reporting Period consisted mainly of net assets attributable to third-party trust beneficiaries of consolidated structured entities, proceeds due to the National Council for Social Security Fund of the PRC (全國社會保障基金理事會), Trust Industry Protection Fund collected on behalf of the financiers of the financing trust schemes, advances from trust schemes and other investments, etc.

The net assets attributable to third-party trust beneficiaries of consolidated structured entities represent third-party beneficiaries' share of net assets of the consolidated trust schemes. Under the PRC laws and regulations, these third-party beneficiaries' entitlements are limited to the available assets of the relevant trust schemes, and as long as the Company does not breach its duty as a trustee, it will not be required to use any of its proprietary assets to pay for such third-party beneficiaries' entitlements. In addition, the Company cannot use, and is prohibited from using, the assets of a consolidated trust scheme to pay for any beneficiary of another consolidated trust scheme. As such, while the net assets attributable to other beneficiaries of consolidated structured entities are accounted for as the Group's liabilities, such liabilities are limited to the net assets of the relevant consolidated trust scheme. The Company's net assets attributable to third-party trust beneficiaries of consolidated structured entities decreased by 7.4% from RMB806.9 million as at 31 December 2023 to RMB747.5 million as at 30 June 2024. Changes in such amount mainly reflected changes in the net assets of the Group's consolidated trust schemes as well as the changes in percentage of the Company's proprietary investment in such trust schemes.

The Company's Trust Industry Protection Fund collected on behalf of the financiers of the financing trust schemes decreased from RMB333.9 million as at 31 December 2023 to RMB263.5 million as at 30 June 2024.

The Company's receipts in advance from trust schemes and other investments are advances received from equity investments in consolidated structured entities, which are presented as other liabilities in the consolidated statements as the revenue recognition criteria are not met, and decreased from RMB246.5 million as at 31 December 2023 to RMB238.7 million as at 30 June 2024.

Off-balance Sheet Arrangements

As at 30 June 2024, the Group did not have any outstanding off-balance sheet guarantees or foreign currency forward contracts.

3.4 Assets under Management, Asset Quality and Financial Performance of Consolidated Trust Schemes

The Group's results of operations and financial condition have been affected by the AUM, asset quality and financial performance of the consolidated trust schemes. While, under PRC laws and regulations, the assets of trust schemes under the Company's management are distinct and separate from the proprietary assets and the Company is not responsible to its trustor clients or the beneficiaries for any loss of trust assets under its management, except for losses not caused by the Company's failure to properly fulfil its duty as a trustee, the Company has consolidated some of the trust schemes under its management pursuant to CASBE. Those trust schemes are deconsolidated when the Company ceases to have control over them. During the Reporting Period, deconsolidation of the Company's consolidated trust schemes generally occurred when such trust schemes were disposed of or were liquidated upon the expiry of their terms.

As at 31 December 2023 and 30 June 2024, the Company had consolidated 22 and 21 of the trust schemes under its management, respectively, and the total trust assets of these consolidated trust schemes were RMB3,724.3 million and RMB3,462.9 million, respectively. The following table sets forth changes in the number of the Group's consolidated trust schemes during the Reporting Period:

	As at 30 June 2024	As at 31 December 2023
Beginning:	22	19
Newly consolidated trust schemes	2	7
Deconsolidated trust schemes	3	4
Ending:	21	22

The consolidation of these trust schemes increased the Company's total assets during the Reporting Period due to the inclusion of assets of these trust schemes (consisting of loans to customers, financial assets held for trading, long-term equity investments and other assets) in the Company's total assets. The following table illustrates the impact on the Company's total assets resulting from the consolidation of these trust schemes during the Reporting Period:

	As at 30 June 2024	As at 31 December 2023 (Audited)
	<i>(RMB in million)</i>	
Total assets of the Company	12,849	13,250
Total assets of consolidated trust schemes	3,463	3,724
Consolidation adjustment	-2,612	-2,805
Total assets of the Group	<u>13,700</u>	<u>14,169</u>

However, the impact on the Group's total assets largely corresponded to the significant increase in the Group's total liabilities due to the inclusion of liabilities of these trust schemes (presented as "other liabilities" in the Group's consolidated balance sheet) in the Group's total liabilities. The following table illustrates the impact on the Group's total liabilities resulting from the consolidation of these trust schemes during the Reporting Period:

	As at 30 June 2024	As at 31 December 2023 (Audited)
	<i>(RMB in million)</i>	
Total liabilities of the Company	1,594	2,156
Total liabilities of consolidated trust schemes	273	302
Consolidation adjustment	576	622
Total liabilities of the Group	<u>2,443</u>	<u>3,080</u>

As a result of the foregoing, the impact on the Group's net assets or equity from consolidation of these trust schemes was thus reduced. The following table illustrates the impact on the Group's total equity resulting from the consolidation of these trust schemes during the Reporting Period:

	As at 30 June 2024	As at 31 December 2023 (Audited)
	<i>(RMB in million)</i>	
Total equity of the Company	11,255	11,094
Consolidation adjustment	<u>2</u>	<u>-5</u>
Total equity of the Group	<u><u>11,257</u></u>	<u><u>11,089</u></u>

The consolidation of these trust schemes also affected the Group's results of operations. For example, all trustees' remunerations which the Company was entitled to from these consolidated trust schemes were eliminated as a result of consolidation and thereby reduced the Company's fee and commission income. In addition, the consolidation of these trust schemes increased the Group's interest income due to inclusion of interest income generated from loans granted by the Group's consolidated trust schemes. It also increased the Group's interest expense which represented interest income of the Group's consolidated financing trust schemes that were expected to be distributed to third-party beneficiaries of such trust schemes. However, as these impacts on income and expenses largely offset each other, the resulting impact on the Group's net profit has been reduced. The following table illustrates the impact on the Group's net profit resulting from the consolidation of these trust schemes during the Reporting Period:

**For the six months
ended 30 June
2024 2023**
(RMB in million)

Net profit of the Company before consolidation of trust schemes	164	175	
Impact of consolidation of trust schemes	<u>7</u>	<u>0</u>	
Net profit of the Group after consolidation of trust schemes	<u>171</u>	<u>175</u>	

Determining whether a trust scheme should be consolidated involves a substantial subjective judgment by the Company's management. The Company assesses whether a trust scheme should be consolidated based on the contractual terms as to whether the Company is exposed to risks of, or has rights to, variable returns from the Company's involvement in the trust and the ability to affect those returns through the Company's power to direct the activities of the trust. The contractual terms of those consolidated trust schemes usually have some or all of the following features:

- (1) Whether the Company has power over the trust scheme, and whether the Company can exercise the rights that give the Company the ability to affect the relevant activities of the trust scheme. Usually the Company has such power when it acts as the trustee of those actively managed trusts, as the contractual terms in the trust contracts allow the Company to determine the selection of assets or projects in which the trust assets will be invested, to perform due diligence on the assets or projects as well as the counterparties that hold the assets or projects, to determine the pricing strategy, and to be actively involved in the ongoing management and disposition of the trust assets;
- (2) Whether the Company is exposed to the risks of or has rights to, variable returns when the Company's returns from its involvement have the potential to vary as a result of the performance of the trust scheme. Such variable returns may either form a part of the investment returns from the trust scheme when the Company has proprietary funds invested in the trust scheme, or floating trustee's remuneration as calculated according to the relevant terms in the trust contracts; and

- (3) Whether the Company controls the trust scheme that the Company not only has the power over the trust scheme and exposure or rights to variable returns from its involvement, but also the ability to use its power to affect the returns from the trust scheme. As the Company is responsible for the planning, pricing, setting of beneficial rights, management and operations of those actively managed trust schemes as the trustee, the Company may have the ability to significantly affect its returns from such trust schemes. For example, where the Company subscribes a significant portion of a trust scheme, or in case the Company decides to provide liquidity support to a troubled trust, the Company intentionally uses its rights as the trustee and ability to invest using proprietary funds, so as to associate itself with the variable returns from such trust schemes.

Under CASBE, the greater the magnitude and variability of the returns that the Company is exposed to from the Company's involvement with a trust scheme, the more likely that the Company will be deemed to have control over the trust scheme and be required to consolidate it. However, there is no bright line standard and the Company is required to consider all the relevant factors as a whole.

Given the Company's limited decision-making authority over administrative management trusts and because the Company has not made any proprietary investments in the Company's administrative management trusts during the Reporting Period, the Company had not been required to consolidate any administrative management trusts during the Reporting Period.

With respect to the actively managed trusts, the Company is more likely to be required to consolidate those in which it has made proprietary investments as there may be substantial variable return resulting from such investments. The contract terms of the Company's consolidated actively managed trust schemes with respect to the Company's power and authority do not differ materially from those of its unconsolidated actively managed trusts. The amount of proprietary investment the Company has made in an actively managed trust as a percentage of its total trust assets has been, and will be, a differentiating factor in determining whether the Company was, and will be, required to consolidate such trust. Variable return may also be affected by the allocation and distribution of trust projects of trust beneficiaries pursuant to the terms and conditions of respective trust contract, when the Company determines whether a trust scheme should be consolidated or not.

During the Reporting Period, the Company had not consolidated any administrative management trust schemes and had not consolidated any actively managed trust schemes in which it did not make any proprietary investments.

3.5 Risk Management

Overview

The Company has been devoted to establishing risk management and internal control systems consisting of objectives, principles, organisational framework, procedures and methods against key risks that the Company considers to be appropriate for its business operations, and the Company has developed a comprehensive risk management system covering all aspects of its business operation. The sophisticated risk management culture, target-oriented and sound risk management system and mechanisms of the Company ensure the sustainable and stable operation of the Company's business and provide a solid basis for the Company's identification and management of risks involved in its business operation.

3.5.1 Risk Management Organisational Structure

The integrated risk management organisational structure of the Company is included in every level of the Company's corporate governance, including (1) the shareholders' general meeting; (2) the Board of Directors and Strategies and Risk Management Committee and Audit Committee thereof; (3) the board of supervisors of the Company ("**Board of Supervisors**"); (4) the General Manager's Office Meeting; (5) the Business Decision Committee; (6) the Trust Business Review Committee and Capital Market Business Review Committee; (7) the Trust Business Ad-hoc Issue Coordination Group; and (8) other functional departments, including the Risk Control Department, Legal & Compliance Department (Anti-Money Laundering Centre), Capital Market Business Review Department, Trust Finance Department (Operation Centre), Financial Management Department, Information Technology Department, Post-investment Management Department, Supervision and Audit Department, Asset Disposition Centre and Proprietary Business Department. Finally, all trust business departments of the Company are required to assume primary risk management responsibilities.

3.5.2 Factors Affecting the Company's Results of Operations

The following factors are the principal adverse and favourable factors that have affected and are expected to continue to affect the Company's business, financial condition, results of operations and prospects.

General Economic and Financial Market Conditions

The Company's business operations are conducted in China and most of the Company's income is generated within China. As a financial institution in China, the Company's business, financial condition, results of operations and prospects are significantly affected by general economic and financial market conditions of China.

After Chinese economy has experienced rapid growth over the past 40 years, it has entered a stage of high-quality development characterised by economic structure optimisation, industry transformation and upgrading. The structural transformation of the Chinese economy and fluctuations in macroeconomic policy and financial market present challenges for the Company's business. For example, regulation of the real estate industry in China and control on local governments to incur debts may negatively affect the Company's trust business. Under the background of economic slowdown, structural adjustment, macroeconomic situation created certain pressure and constraint on the capital and asset sides of trust industry. The Company's clients may reduce their investment activities or financing needs during times of economic slowdown, which may reduce the demand for the Company's various types of trust products. Financial risks of individual cases may break out more often during times of economic slowdown, which may increase the default risks of the Company's counterparties. On the other hand, the Company may identify new business opportunities during such economic transformation and take advantages of the changes in financial market conditions and the Company may increase its business in areas that can counteract the impact of downward economic cycle. There are, however, uncertainties in the Company's ability to effectively respond to changes in general economic and financial market conditions and increase in its innovative business may not be able to offset decrease in its traditional business, and therefore, the trust business will continue to be significantly affected by general economic and financial market conditions in China.

The Company has made proprietary investments in different kinds of financial institutions in China, and a significant portion of the Company's proprietary assets are held in the form of various kinds of financial products. The value of these investments is affected by the general economic conditions, performance of the capital markets and investor sentiment. As such, changes in general economic and financial market conditions of China will also affect the value of, and investment income from, the Company's proprietary investments.

Regulatory Environment

The Company's results of operations, financial condition and development prospects are affected by regulatory developments in the PRC. NAFR (formerly the CBIRC), the main regulatory authority for the PRC trust industry, has been continuously monitoring the development status of the industry and issuing various regulations and policies to encourage or discourage or even prohibit conducting certain types of trust business from time to time. The Company will need to continuously adjust its trust business structure and mode of operation to conform to these regulations and policies, which may have positive or negative impact on the size, income or profitability of the Company's trust business. In April 2018, the People's Bank of China ("PBOC"), the former CBIRC, the China Securities Regulatory Commission ("CSRC") and the State Administration of Foreign Exchange jointly issued the Guiding Opinions on Regulating Asset Management Business of Financial Institution (Yin Fa [2018] No. 106) (《關於規範金融機構資產管理業務的指導意見》(銀發[2018]106號)) to unify the regulatory standards of asset management business by product types, requiring, among other things, financial institutions including trust companies to carry out "de-channelling" and "reduce nested systems" in conducting the asset management business. In 2020, the former CBIRC made clear requirements for the pressure drop of trust companies' channel business and financing business, insisting on the goal of "de-channelling", continuing to standardise business development and guiding trust companies to accelerate business model transformation. In March 2023, the former CBIRC issued the Notice on Standardising the Classification of Trust Business of Trust Companies, which further clarifies the boundaries and service content of trust business, guides trust companies to give full play to institutional advantages and industry competitive advantages, promotes trust companies to return to their origin, standardise development, and promotes the high-quality development of the trust industry. Such policies may impose certain tightening effects on the operation of trust companies in the short term, while in the long term, they are conducive to trust companies in enhancing the active management

capability and returning to the fundamentals of trust industry. However, the regulatory authorities may also restrict the development of certain businesses of trust companies from time to time, which may have an adverse effect on the Company's business.

In addition, the regulatory environment of other financial industries in China may also indirectly impact the Company's trust business. For example, in September 2018, the former CBIRC promulgated the Administrative Measures for Supervision of Wealth Management Business of Commercial Banks (《商業銀行理財業務監督管理辦法》) and the Administrative Measures for Wealth Management Subsidiaries of Commercial Banks (《商業銀行理財子公司管理辦法》) in December 2018, which clearly stipulated the wealth management business of commercial banks, allowing commercial banks to develop asset management services through the establishment of financial management subsidiaries. The Company has traditionally benefited from the expanded business scope under the Company's trust license. However, other financial institutions, such as commercial banks and subsidiaries of commercial banks, may be able to offer an increasing number of products and services that are similar to these offered by the Company and the Company may lose some of its advantages and face increased competition as a result.

Business Lines and Product Mix

The Company has two business segments, namely its trust business and proprietary business. The Company's financial results were significantly affected by the fee and commission income from the Company's trust business. As a result, any material changes in the Company's trust business, such as in terms of client development, growth strategies and regulatory requirements, may significantly affect the Company's financial condition and results of operations. The Company also offers a variety of trust products, including actively managed trusts, which have relatively high trust remuneration rates, and administrative management trusts, which have relatively low trust remuneration rates. The Company has financing trusts that provide financings to counterparty clients in different industries and investment trusts that invest the Company's trustor clients' assets into different asset classes. Therefore, different types of trust products will have different risk-and-return profiles and will require different means of management from the Company, which will affect the trustee's remuneration of the Company. As a result, the overall financial performance of the Company's trust business would be significantly affected by the relative weight of different types of trust products the Company provides. The Company also generates interest income

and investment income from its proprietary business by allocating its proprietary assets into different asset classes. The performance of the Company's proprietary business is affected by its proprietary assets allocation plan, market condition, interest rate as well as the Company's investment and risk management capability, and will also significantly affect the Company's financial position and results of operation.

The Company continues to diversify the Company's trust products by designing more trust products tailored to different and emerging demands and providing more active assets management services. As a result, the Company's future results of operations and financial condition could be significantly affected by the Company's ability to design, develop and manage more trust products that are attractive to the Company's counterparty clients and trustor clients and allow the Company to maintain or increase the trustee's remuneration rates. The Company also seeks to further improve its proprietary business through optimisation of asset allocation, and the Company's success in this regard is also expected to significantly affect the Company's future results of operations and financial condition.

Competition

The Company faces competition from other trust companies in China. In the course of internal development in the trust industry with the momentum characterised by differentiation, most of the trust companies are working on expansion and innovation in a proactive and effective manner. The Company competes with these trust companies in terms of client base, knowledge of the relevant industries, active management capability, innovation capability, reputation, creditworthiness, shareholders' background and support. The Company will leverage on its own advantages, shareholders' background, strategic partnership as well as research and development and innovative capabilities, fostering business expansion and financial innovation to reinforce the Company's competitive position while maintaining its profitability.

The Company also faces competition from other financial institutions. For the Company's financing trusts, the Company competes with other potential financing sources, such as commercial banks and commercial bank wealth management subsidiaries, for the Company's counterparty clients and the intensity of competition from other financing sources will affect the number and quality of the Company's counterparty clients as well as the level of interest the Company can charge on financings to the Company's counterparty clients and thereby affect the Company's operating income and profitability. For the Company's investment trusts, the Company competes with other financial institutions that provide assets and wealth management services. Given the changes of regulation policies on various financial sectors, institutions such as commercial banks, and commercial bank wealth management subsidiaries, securities firms, fund management companies, private securities investment funds, private equity investment funds and insurance companies have diversified their assets and wealth management services. As such, the Company's ability to grow its investment trust business depends on the Company's ability to effectively compete with these financial institutions through offering a variety of trust products that are tailored to the different needs of the Company's trustor clients.

Interest Rate Environment

The Company's business is also affected by changes in interest rates, which fluctuate continually and may be unpredictable and highly volatile. Interest rates in China are regulated by the PBOC. The Company's business and results of operations are affected by changes in interest rates in different ways, such as:

- Changes in lending rates may affect the comparative financing costs for the Company's counterparty clients from different financing sources and thereby affect their willingness to carry out financings through the Company's trust products;
- Changes in deposit interest rates may affect the comparative investment returns to the Company's trustor clients from different investment options and thereby affecting their willingness to invest in the Company's trust products;
- Changes in lending rates may affect the amount of interest income generated from financing service provided to the Company's counterparty clients by the Company's trust schemes or itself using the Company's proprietary assets and thereby affecting the amount of the trustee's remuneration of the Company as well as the Company's interest income from consolidated trust schemes and its proprietary loans; and
- Changes in interest rates may also affect the value of various types of financial assets held by the Company's trust schemes or itself as proprietary assets. For example, an increase in interest rates may cause a decline in the market value of fixed-income securities and thereby reduce the net assets value of the trust schemes holding such securities or the Company's proprietary business.

3.5.3 Credit Risk Management

Credit risk refers to the risk that the clients and counterparties of the Company fail to fulfill contractual obligations. The credit risk of the Company arises from the Company's trust business and proprietary business.

During the Reporting Period, in strict compliance with credit risk management guidelines and other regulatory requirements issued by the NFRA, under the leadership of the Strategies and Risk Management Committee of the Board of Directors and the senior management, the Company focused on facilitating the realisation of strategic goals by improving credit risk management system and system establishment and reinforcing risk management over key areas so as to control and mitigate credit risks in full swing.

Credit Risk Management on Trust Business

The credit risk of the Company's trust business mainly refers to the risk that the Company, as the trustee, fails to receive the Company's due remuneration which is agreed in the trust contracts. The majority of the Company's trusts are financing trusts, under which the failure of fulfilling the repayment obligations by the counterparty clients of the Company, or the ultimate financiers, will negatively affect the Company's ability to receive its remuneration. The Company assesses and manages such default risk through comprehensive due diligence, stringent internal approval and trust establishment procedures as well as ex-post inspections and monitoring. During the Reporting Period, the Company used the intelligent risk control system independently designed and developed by itself to realise online measurement and independent rating of some trust businesses, effectively improving the Company's investment decision-making ability and risk management level. Meanwhile, the Company obtains third party guarantee and collateral as credit enhancements in order to mitigate the default risk by financiers and the Company may ask for additional collaterals in case the value of the original collaterals become insufficient. Under circumstances where the Company assesses the likelihood of such default becomes relatively high, the Company may take necessary solution and disposition measures in a timely manner to minimise the potential loss.

Credit Risk Management on Proprietary Business

The proprietary business of the Company mainly includes the Company's own debt and equity investments. The management of the Company had formulated an annual asset allocation plan which consists of concentration limit for each type of investment and such annual plan shall be approved by the Board of Directors. The Company maintains a diversified investment portfolio for the Company's proprietary business and has established detailed internal risk management policies and procedures for each type of investment.

3.5.4 Market Risk Management

Market risk primarily refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. It mainly represents the volatility risk arising from price risk, interest rates risk and foreign exchange risk. During the Reporting Period, the Company managed such risk mainly through the Company's diversified and carefully selected investment portfolio and stringent investment decision-making mechanism.

3.5.5 Liquidity Risk Management

Liquidity risk refers to the risk that the Company may not be able to generate sufficient cash to settle the Company's debts in full when they fall due or may only do so on terms that are materially disadvantageous to the Company.

During the Reporting Period, the Company conducted periodical forecasts of the Company's cash flows and monitored the short-term and long-term capital needs of the Company to ensure sufficient cash reserve and financial assets that could be readily convertible into cash. The Company holds sufficient unrestricted bank deposits and cash on hand to meet the capital requirements of the Company's day-to-day operations.

3.5.6 Compliance Risk Management

Compliance risk refers to the risk of being subject to legal sanctions, regulatory measures, disciplinary penalties or loss of property or reputation because the Company's business activities or those activities of the Company's employees violated the relevant laws, regulations or rules. The Company had formulated various compliance rules and policies and the Legal & Compliance Department shall be responsible for monitoring the overall compliance status of each aspect of the daily operation of the Company.

During the Reporting Period, the Legal & Compliance Department of the Company also continuously tracked the latest development of the relevant laws, regulations and policies and submitted proposals on the formulation of and amendments to the relevant internal regulations and policies to the relevant departments. Moreover, the Company organised various training programs for the employees from different departments based on the nature of their respective business activities and periodically provided updates relating to the current legal and regulatory requirements and the Company's internal policies on an ongoing basis.

3.5.7 Operational Risk Management

Operational risk refers to the risk of financial loss resulting from the improper operation of transactional processes or the management system. During the Reporting Period, to minimise the operational risk, the Company implemented strict operational risk control mechanisms to reduce the risks of technical irregularities or human errors and enhanced the effectiveness of the operational risk management. In addition, the Audit Department of the Company shall be responsible for conducting internal auditing and evaluating the effectiveness of the operational risk management.

3.5.8 Reputational Risk Management

The Company values its positive market image which has been built over the years. It actively implements effective measures to avoid and prevent from any harm to its reputation. The Company formulated the Administrative Measures on Reputational Risk Management. During the Reporting Period, the Company enhanced customer loyalty with its outstanding wealth management capability and at the same time, promoted its external publicity, actively performed social responsibilities and created multiple channels to communicate with the regulatory authorities, media, public and other stakeholders to strengthen the Company's core corporate values of "Professionalism, Integrity, Diligence and Accomplishment".

3.5.9 Other Risk Management

The Company enhanced its foresight and adaptability and controlled the policy risks by analysing and researching on the national macroeconomic policies and industrial policies. A sound corporate governance structure, an internal control system and business operational procedures had been established to ensure complete and scientific work logistics. The Company consistently strengthened the ideological education for its employees, fostered their awareness of diligence and dedication, and advanced their risk management concepts to prevent moral risks. At the same time, the Company strengthened the education of legal awareness and carried out extensive educational activities for all of its employees to strengthen their sense of occupational integrity. The Company also designated specific legal positions and engaged legal advisers on annual basis to control the legal risks effectively.

3.5.10 Anti-money Laundering Management

During the Reporting Period, the Company performed anti-money laundering obligations of the Company in accordance with the applicable anti-money laundering laws and regulations of the PRC and adopted its own Administrative Measures on Anti-Money Laundering (反洗錢管理辦法). Such measures set out the anti-money laundering system of the Company and regulate the anti-money laundering management of the Company, ensuring that the Company can perform the anti-money laundering obligations in accordance with the applicable anti-money laundering laws and regulations.

The Company established an Anti-Money Laundering Leading Work Group for anti-money management, appointed the General Manager of the Company as the chairperson of the group, and the Chief Risk Officer who was responsible for legal and compliance matters as the vice chairperson of the group, and the people in charge of other relevant departments as members of the group. There is an anti-money laundering work office under the Anti-Money Laundering Working Group, which comprises members from various departments, and is responsible for organising and conducting anti-money laundering management work.

Pursuant to the Company's Administrative Measures on Anti-Money Laundering, the Company has established a client identification system, which requires employees of the Company to effectively verify and continuously update the identification data of the Company's clients. For example, employees of the Company are required to conduct due diligence on the comprehensive background of potential clients, including verifying the validity of the identification data provided, such as the respective corporate certification for enterprises and individuals, or individual identity cards, as well as understanding sources of funds, liquidity and potential transaction purposes of such potential clients. Also, employees of the Company are required to continuously update such clients' identification data during its daily operation, in particular where there is any material change. Employees shall conduct further investigations if any irregularity is identified in connection with the clients' operational or financial status, or their usual transaction patterns, or there was any discrepancy between any new data available to the Company and the data previously provided to the Company, or any suspicious activities involving money laundering or terrorist financing. The Company may terminate the business relationship with a client if it fails to provide it with the most updated and valid identification documents within a certain period upon the Company's request. The identification data of the Company's clients

is recorded and archived in accordance with the relevant PRC laws. Such identification data and any information or materials relating to the Company's transactions and accounts with the Company would be kept for at least five years after the relevant party ceases to be a client of the Company.

Furthermore, the Company's Administrative Measures on Anti-Money Laundering also specify certain criteria of determining a suspicious transaction and establish a suspicious transaction reporting system. Based on such criteria, business departments of the Company are required to immediately report to the Anti-Money Laundering Work Office of the Company if they identify any suspicious transaction during their daily operation. The Anti-Money Laundering Work Office is required to conduct investigation and analysis on the reported transaction. Once confirmed, it is required to report such transaction to the Anti-Money Laundering Leading Work Group of the Company, which shall also report to the PRC Anti-Money Laundering Monitoring and Analysis Centre led by the PBOC in accordance with the relevant laws and regulations.

3.6 Capital Management

The Company's capital management is centred on net capital and risk-based capital, with an objective to meet external regulatory requirements, balance the risk and return and maintain an appropriate level of liquidity.

The Company prudently determines the objectives of net capital and risk-based capital management that are in accordance with regulatory requirements and are in line with its own risk exposure. Generally, the capital management measures include adjustment of dividend distribution and raising new capital.

The Company monitors the net capital and risk-based capital regularly based on regulations issued by the NFRA. Effective from 20 August 2010, the Company started to implement the former CBIRC's regulation of "Measures for the Administration of Net Capital of Trust Companies" which was issued on the same day. Pursuant to this regulation, a trust company shall maintain its net capital at a level of no less than RMB200 million, the ratio of net capital to total risk-based capital at no less than 100%, and the ratio of net capital to net asset at no less than 40%. The Company reports the required capital information to the NFRA on a quarterly basis.

Total risk-based capital is defined as the aggregate of (i) risk-based capital of the Company's proprietary business; (ii) risk-based capital of the Company's trust business; and (iii) risk-based capital of the Company's other business, if any. The risk-based capital is calculated by applying a risk factor which ranges from 0% to 50% for the Company's proprietary business, and 0.1% to 9.0% for the Company's trust business.

As at 30 June 2024, the Company's net capital was approximately RMB9.00 billion, which is not less than RMB200 million; the total risk-based capital was approximately RMB3.21 billion; the ratio of net capital to total risk-based capital was 280.2%, which is not lower than 100%; and the ratio of net capital to net asset was 80.0%, which is not lower than 40%.

3.7 Future Prospect

For some time to come, global liquidity will be gradually turning to easing, and the global economic and policy differentiation is expected to converge marginally. However, complex factors such as trade protectionism and geopolitical conflicts will still give rise to greater uncertainty, instability and imbalance. Domestically, insufficient effective demand and the continuous deepening of the new and old momentum conversion and structural adjustment will also pose certain challenges, but overall, high-quality development has become the main theme of socioeconomic development in China. Given the stable foundation, various advantages, strong resilience and great potential of the economy of China, stable operation and long-term improvement have become the basic characteristics and trends of the current economic operation.

The Central Financial Work Conference clarified the differentiated development positioning of different types of financial institutions within China's financial system as a whole, and pointed out the direction for various institutions to give full play to their own advantages and integrate into the overall situation of China's socioeconomic development. China's trust industry will find its roots at the origin of the system and, under the joint guidance of policies, market and other factors, locate its unique position within the financial system with Chinese characteristics. While focusing on the direction guided by the new regulations on three categories of trusts, and accelerating the return to its origin, transformation and development, China's trust industry will continuously build and improve a diversified, professional and characteristic trust product and service system, embarking on a path of high-quality development with Chinese characteristics.

Adhering to the guidance of regulatory policies and trust business classification reform, SITC will strengthen the pace of transformation, insist on returning to the origin of trust, rely on its own resource endowment, and focus on its characteristic tracks. Concentrating on the three major business development cores of the capital market, family trust, and wealth management, SITC will solidly enhance its localisation capabilities based on regional resources and pursue the “five major areas”, so as to provide comprehensive financial services for the high-quality development of the real economy and people’s needs for a better life, and strive to build a new pattern of high-quality development of the Company.

4. PROFITS AND DIVIDENDS

The Company’s profit for the six months ended 30 June 2024 is set out in “3. Management Discussion and Analysis – 3.3 Financial Overview” in this results announcement.

The Company will not declare an interim dividend for the year of 2024.

5. DIRECTORS (THE “DIRECTORS”), SUPERVISORS (THE “SUPERVISORS”) AND SENIOR MANAGEMENT OF THE COMPANY

As at the date of this interim results announcement, the compositions of the Board of Directors, the Board of Supervisors and senior management are as follows:

Members of the Board of Directors include Mr. Yue Zengguang (chairperson) as executive Director; Mr. Wang Zengye (vice chairperson) and Mr. Zhao Zikun as non-executive Directors; Mr. Zheng Wei, Ms. Zhang Haiyan and Ms. Liu Wanwen as independent non-executive Directors.

Members of the Board of Supervisors include Mr. Guo Xiangzhong (chairperson of the Board of Supervisors), Mr. He Shuguang, Ms. Diao Hongyi, Ms. Han Zhe and Ms. Wang Zhimei as shareholder representative Supervisors; Ms. Wang Qian as external Supervisor; Ms. Li Yan, Mr. Wei Xiangyang and Ms. Wu Yi as employee representative Supervisors.

Members of the senior management of the Company include Ms. Zhou Jianqu as vice general manager; Mr. He Chuangye as vice general manager, secretary to the Board of Directors and the company secretary; Mr. Wang Ping as chief financial officer; Mr. Niu Xucheng as vice general manager; Mr. Lin Guanwei as vice general manager; Mr. Tian Zhiguo as chief risk officer and Mr. Sun Botao as assistant to general manager.

During the Reporting Period and as at the date of this interim results announcement, the changes in Directors, Supervisors and senior management of the Company are as follows:

Changes of Directors

As recommended by the Board of Directors, Mr. Yue Zengguang was elected as an executive Director at the 2023 second extraordinary general meeting of the Company held on 28 November 2023 and was elected as the chairperson by the Board of Directors. The qualification of Mr. Yue as an executive Director and the chairperson of the Board of Directors has been approved by the Shandong Financial Regulatory Administration on 10 January 2024.

Mr. Yue Zengguang, Ms. Zhou Jing, Ms. Wang Bailing, Ms. Duan Xiaoxu, Mr. Zheng Wei, Ms. Zhang Haiyan and Ms. Liu Wanwen were re-elected or appointed as Directors of the fourth session of the Board of Directors at the annual general meeting for the year 2023 (the “AGM”) convened on 27 June 2024. Mr. Fang Hao was not re-elected as executive Director for the fourth session of the Board of Directors, and concurrently ceased to serve as the general manager of the Company, a member of the trust and consumer rights protection committee and a member of the related party transaction control committee of the Board of Directors due to the expiration of his term of office. Mr. Wang Zengye and Mr. Zhao Zikun were not re-elected as non-executive Directors of the fourth session of the Board of Directors due to the expiration of their terms of office. The qualifications of Ms. Zhou Jing and Ms. Duan Xiaoxu are subject to the approval by the local office of the NFRA, and their terms of office will commence on the date of approval of their qualifications for directorship and expire on the date of expiration of the fourth session of the Board of Directors. Before the newly elected Directors take office by fulfilling the relevant procedures in accordance with the laws and regulations, Mr. Wang Zengye and Mr. Zhao Zikun shall continue to fulfill their duties as Directors until the qualifications of the newly elected Directors in the corresponding fourth session of the Board of Directors are approved by the local office of the NFRA, to ensure that the structure of the members of the Board of Directors always complies with relevant provisions of the applicable laws and regulations and the Articles of Association.

Due to adjustment of work arrangements, Ms. Wang Bailing tendered her resignation as a non-executive Director, member of the trust and consumer rights protection committee and the related party transaction control committee of the Board of Directors, with effect from 8 August 2024. The Board of Directors proposed to appoint Mr. Chen Xuebin as a non-executive Director, and to serve as a member of the trust and consumer rights protection committee and the related party transaction control committee of the Board of Directors. The appointment of Mr. Chen as a Director is subject to the approval by the Shareholders at the general meeting and the approval of the local office of the NFRA.

Changes of Supervisors

Mr. Guo Xiangzhong, Mr. He Shuguang, Ms. Diao Hongyi, Ms. Han Zhe and Ms. Wang Zhimei were re-elected or appointed as shareholder representative Supervisors of the fourth session of the Board of Supervisors at the AGM. Ms. Wang Qian was appointed as an external Supervisor of the fourth session of the Board of Supervisors at the AGM. The shareholder representative Supervisors and external Supervisor of the fourth session of the Board of Supervisors shall have a term of three years, effective from the date of approval at the AGM. Ms. Li Yan, Mr. Wei Xiangyang and Ms. Wu Yi were democratically elected as the employee representative Supervisors of the Company at the employee representative meeting, and their respective terms of office will be three years commencing from 27 June 2024, the date of the establishment of the fourth session of the Board of Supervisors of the Company.

Mr. Guo Shougui, Mr. Chen Yong and Mr. Wu Chen were not re-elected as the shareholder representative Supervisors of the fourth session of the Board of Supervisors of the Company due to the expiration of their terms of office. Ms. Wang Yan was not re-elected as an external Supervisor of the fourth session of the Board of Supervisors of the Company due to the expiration of her term of office. Mr. Zhang Wenbin was not re-elected as an employee representative Supervisor of the fourth session of the Board of Supervisors of the Company due to the expiration of his term of office.

Changes of Senior Management

Due to expiry of term, Mr. Cui Fang ceased to serve as an assistant to the general manager of the Company since 27 June 2024.

The Company held a meeting of the Board of Directors on 27 June 2024, agreed to appoint Mr. Lin Guanwei as a vice general manager of the Company. The qualification of Mr. Lin Guanwei as a vice general manager was approved by the Shandong Financial Regulatory Administration on 24 July 2024.

The Company held a meeting of the Board of Directors on 8 August 2024, agreed to appoint Ms. Yuan Fang as a vice general manager of the Company. The appointment of Ms. Yuan Fang is subject to the approval of her qualifications by the local office of the NFRA.

Save as disclosed above, there is no other information required to be disclosed under the Rule 13.51B(1) of the Listing Rules.

6. CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix C1 to the Listing Rules as its own corporate governance code.

Pursuant to Code C.2.1 of Part 2 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 10 November 2023 to 10 January 2024, Mr. Fang Hao, an executive director and the general manager of the Company, assumed the duties of the chairperson of the Company in accordance with the relevant laws and regulations. During the tenure of office of Mr. Fang Hao as the chairperson, notwithstanding the deviation from the code provisions, under the supervision of the Board of Directors, the Board of Directors was appropriately structured with balance of power to provide sufficient check and balance to protect the interests of the Company and the shareholders.

The qualifications of Mr. Yue Zengguang, the new chairperson of the Company, as an executive Director and chairperson have been approved by the Shandong Financial Regulatory Administration, and took effect on 10 January 2024. Since then, Code C.2.1 of Part 2 of the Corporate Governance Code has been satisfied.

Since 27 June 2024, Mr. Fang Hao was not re-elected as an executive director of the fourth session of the Board of Directors due to the expiration of his term of office, and also ceased to serve as the general manager of the Company. Mr. Yue Zengguang temporarily assumes the duties of general manager of the Company until the Board of Directors appoints a new general manager and his/her qualification is approved by the local office of the NFRA, and such period shall not exceed six months. During the period in which Mr. Yue Zengguang as the chairperson of the Company assumes the duties of the general manager, notwithstanding the deviation from the above-mentioned code provisions of the Listing Rules, under the supervision of the Board of Directors, the Board of Directors is appropriately structured with balance of power to provide sufficient check and balance to protect the interests of the Company and the shareholders.

Save as disclosed above, the Company has been in compliance with all code provisions as set out in the Corporate Governance Code during the Reporting Period. The Company will continue to review and monitor its corporate governance practice in order to ensure the compliance with the Corporate Governance Code.

7. MODEL CODE FOR CONDUCTING SECURITIES TRANSACTIONS

During the Reporting Period, the Company adopted a set of code of conduct for securities transactions implemented by its Directors, Supervisors and employees not inferior to the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) specified in Appendix C3 to the Listing Rules. After specific inquiry to all Directors and Supervisors, all Directors and Supervisors confirmed that during the Reporting Period, they all have complied with the standard regulations set out in the code.

8. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the Reporting Period, the Company did not purchase, sell or redeem any of the Company’s listed securities.

9. SIGNIFICANT EVENTS

9.1 Change of Registered Capital, Capital Structure and Shareholding of Shareholders

During the Reporting Period, there is no change in the Company’s registered capital, capital structure and shareholding of shareholders.

9.2 Proposed Amendments to the Articles of Association

On 17 February 2023, the State Council of the People’s Republic of China (the “**State Council**”) promulgated the Decision of the State Council to Repeal Certain Administrative Regulations and Documents (《國務院關於廢止部分行政法規和文件的決定》) (the “**Decision**”), which includes repealing the Special Regulations of the State Council Concerning the Overseas Offering and Listing of Shares by Limited Stock Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) issued by the State Council on 4 August 1994. On the same day, the CSRC published the Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “**Interim Measures**”) and related guidelines, which include the repeal of the Notice on the Implementation of the Mandatory Provisions for the Articles of Association of Companies to be Listed Overseas (《關於執行〈到境外上市公司章程必備條款〉的通知》). The Decision and the Interim Measures became effective on 31 March 2023 (the “**PRC Regulatory Changes**”). As at the effective date of the Decision and the Interim Measures, a PRC issuer is required to formulate its articles of association with reference to the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) instead of the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外

上市公司章程必備條款》) (the “**Mandatory Provisions**”). In light of the above PRC Regulatory Changes, the Hong Kong Stock Exchange has also proposed certain amendments to the Listing Rules, including, among others, removing the class meeting requirement and other relevant requirements in relation to the issue and repurchase of shares by a PRC issuer and removing the requirement that the articles of association of a PRC issuer must contain the Mandatory Provisions and other ancillary provisions. The amendments became effective on 1 August 2023.

Pursuant to the PRC Regulatory Changes, domestic shares and H shares are the same class of ordinary shares under PRC law, and the holders of domestic shares and H shares are no longer regarded as different classes of shareholders, so the substantive rights incidental to these two shares, including the rights as to voting, dividends and distribution of assets on liquidation, are the same. According to the consultation paper on Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers issued by the Hong Kong Stock Exchange on 24 February 2023, the removal of the class meeting provisions will not prejudice the protection of H shareholders, and the removal of the class meeting provisions is consistent with the existing arrangements of the existing non-PRC issuers with dual listing on both the PRC stock exchange and the Hong Kong Stock Exchange. There is no requirement under the PRC regulations (and the Listing Rules) that shares listed on different stock exchanges shall be regarded as different classes of shares. Therefore, the Company decided to make preliminary amendments to the Articles of Association in accordance with the PRC Regulatory Changes, and to remove the requirements in relation to class shareholders and convening class meetings.

In addition, pursuant to the consultation conclusion on the Proposals to Expand the Paperless Listing Regime and Other Rule Amendments published by the Hong Kong Stock Exchange in June 2023, the amendments to the Listing Rules took effect on 31 December 2023, such that, among other things, subject to compliance with all applicable laws and rules, a listed issuer must (i) send or otherwise make available the relevant corporate communications (as defined in the Listing Rules) to the relevant holders of its securities by electronic means, or (ii) make available the relevant corporate communications on its own website and the website of the Hong Kong Stock Exchange. The listed issuer is required to make any necessary changes to its constitutional documents in order to comply with such requirements before its first annual general meeting held after 31 December 2023.

In addition to the above amendments, the Board of Directors also proposed to make amendments to the relevant articles of the Articles of Association in respect of the following matters: (i) “trust committee” under the Board of Directors be renamed as “trust and consumer rights protection committee” in accordance with the requirements of the Guiding Opinions of the CBIRC on Strengthening the Construction of the Working System and Mechanism for Consumer Rights Protection of Banking and Insurance Institutions (《中國銀保監會關於銀行保險機構加強消費者權益保護工作體制機制建設的指導意見》) (Yin Bao Jian Fa [2019] No. 38); (ii) further standardise the relevant provisions of the Articles of Association on the Party organisation in accordance with the latest laws and regulations; and (iii) the “CBIRC” in the Articles of Association be changed to “National Financial Regulatory Administration” in accordance with the reform of the regulatory authorities (the “**2023 Amendments to the Articles of Association**”). The 2023 Amendments to the Articles of Association has been considered and approved by the shareholders at the 2023 second extraordinary general meeting held on 28 November 2023, and were approved by the Shandong Financial Regulatory Administration on 26 March 2024. Based on the 2023 Amendments to the Articles of Association, the Company also proposed to make corresponding amendments to the Procedural Rules for General Meetings, the Procedural Rules for the Board of Directors and the Procedural Rules for the Board of Supervisors. The amendments to the relevant Procedural Rules for General Meetings, the Procedural Rules for the Board of Directors and the Procedural Rules for the Board of Supervisors were considered and approved by the shareholders at the 2023 second extraordinary general meeting held on 28 November 2023, and were effective from the same day of the approval of the 2023 Amendments to the Articles of Association.

Save for the above, during the Reporting Period and up to the date of this interim results announcement, there was no material change in the Articles of Association. A copy of Articles of Association is available on the websites of the Company and Hong Kong Stock Exchange.

9.3 Material Legal Proceedings and Arbitration

As at 30 June 2024, the Company, being the plaintiff and applicant, was involved in eight pending material litigations or arbitration cases, of which the amount in dispute was more than RMB10 million; the value of the litigation or arbitration cases in which the Company was involved totalled approximately RMB1,720.2 million. These cases were mainly brought by the Company against the relevant counterparty clients due to their failure to repay the loans granted by the Company’s trusts.

As at 30 June 2024, the Company, being the defendant, were involved in four pending material litigation cases involving an amount of more than RMB10 million. The value of litigation in which we were involved totalled approximately RMB794 million. These cases were mainly contractual disputes. In one of these cases, the Company only assumed the administrative management responsibility in accordance with the contract, and the total amount of litigation involved was approximately RMB700 million.

9.4 Material Acquisition, Disposal and Merger of Assets

The Company entered into an agreement on the acquisition of assets by issuance of shares with Guolian Securities Co., Ltd. (“**Guolian Securities**”, a joint stock company incorporated in the PRC with limited liability, whose A shares and H shares are listed on the main board of the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively (A shares stock code: 601456; H shares stock code: 01456)) on 8 August 2024, pursuant to which, the Company and Guolian Securities have conditionally agreed that Guolian Securities shall acquire 132,715,017 shares of Minsheng Securities Co., Ltd. held by the Company through the acquisition of assets by issuing A shares at a consideration of RMB346.7124 million. Pursuant to the transfer consideration, the number of new A shares to be issued by Guolian Securities to be acquired by the Company under the transaction is 31,039,606 shares.

The transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the agreement on the acquisition of assets by issuance of shares and the transactions contemplated thereunder exceeds 5% but all are less than 25%, the transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders’ approval requirements under the Listing Rules.

Save as disclosed in this interim results announcement, during the Reporting Period, the Company had no material assets acquisition, disposal or merger.

9.5 Penalties Imposed on the Company and its Directors, Supervisors and Senior Management

During the Reporting Period, the Company and its Directors, Supervisors and senior management have not been imposed any penalties.

9.6 Provisional Report on Material Issues

In January 2024, the Company disclosed on specific information disclosure media the Announcement on the Change in Chairperson of Shandong International Trust Co., Ltd..

10. SUBSEQUENT EVENTS

Save as disclosed above, the Company had no material matters subsequent to the Reporting Period.

11. EXTRACT OF INTERIM FINANCIAL STATEMENTS

The accompanying notes form a part of these interim condensed consolidated financial information.

11.1 Interim Condensed Consolidated Income Statement

				<i>Unit: RMB</i>	
Item	Note	January to June 2024	January to June 2023		
I. Total operating income		587,751,833.39	836,157,364.37		
Net Interest Income	11	-4,550,727.39	35,014,025.25		
Including: Interest income	11	24,968,599.11	75,332,384.05		
Interest expense	11	29,519,326.50	40,318,358.80		
Net fee and commission income	12	270,763,144.72	418,611,671.63		
Including: Fee and commission income	12	272,635,299.85	421,228,725.81		
Fee and commission expenses	12	1,872,155.13	2,617,054.18		
Investment income (losses indicated in “-”)	13	42,144,364.27	133,774,950.24		
Including: Income from investment in associates and joint ventures		2,115,347.99	10,152,591.24		
Net exposure hedging income (losses indicated in “-”)					
Other income					
Gains from changes in fair value (losses indicated in “-”)	14	241,813,117.08	212,071,055.06		
Gains from changes in net assets attributable to third-party investors in consolidated structured entities (losses indicated in “-”)		27,318,716.60	31,763,513.05		
Exchange gain (losses indicated in “-”)		0.07	0.34		
Other operating income		10,389,090.69	4,899,395.52		

Item	Note	January to June 2024	January to June 2023
Gains on disposal of assets (losses indicated in “-”)		-125,872.65	22,753.28
II. Total operating costs		295,780,081.56	447,435,774.27
Tax and surcharges	15	2,953,580.30	5,193,112.60
Business and administrative expenses	16	132,811,708.90	163,970,832.11
Credit impairment losses	17	154,963,412.71	278,020,439.58
Impairment losses on other assets		2,064,588.45	
Other operating costs		2,986,791.20	251,389.98
III. Operating profit (losses indicated in “-”)		291,971,751.83	388,721,590.10
Add: Non-operating income		462,212.97	2,922,007.48
Less: Non-operating expenses	18	39,107,167.89	115,721,630.92
IV. Total profit (total losses indicated in “-”)		253,326,796.91	275,921,966.66
Less: Income tax expenses	19	82,818,684.51	100,844,791.11
V. Net profit (net loss indicated in “-”)		170,508,112.40	175,077,175.55
(I) Categorised by the nature of continuing operations:		170,508,112.40	175,077,175.55
1. Net profit from continuing operations (net loss indicated in “-”)		170,508,112.40	175,077,175.55
2. Net profit from discontinued operations (net loss indicated in “-”)			
(II) Categorised by ownership:		170,508,112.40	175,077,175.55
1. Net profit attributable to shareholders of the parent company (net loss indicated in “-”)		170,508,112.40	175,077,175.55
2. Profit or loss attributable to non-controlling interests (net loss indicated in “-”)			
VI. Other comprehensive income, net of tax		-2,739,244.97	136,296.86
Other comprehensive income attributable to shareholders of the parent company, net of tax		-2,739,244.97	136,296.86
(I) Other comprehensive income that cannot be reclassified to profit or loss			
1. Changes from recalculation of defined benefit plan			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			

Item	Note	January to June 2024	January to June 2023
3. Change in fair value of other equity instrument investments			
4. Change in fair value of credit risk of corporate			
5. Other			
(II) Other comprehensive income that will be reclassified to profit or loss		-2,739,244.97	136,296.86
1. Other comprehensive income that can be reclassified to profit or loss under equity method		-3,685,941.38	136,296.86
2. Change in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Credit impairment provision for other debt investments			
5. Hedging reserves from cash flows (effective part of cash flow hedging profit or loss)			
6. Differences on translation of foreign currency financial statements			
7. Other		946,696.41	
Net other comprehensive income after tax attributable to non-controlling interests			
VII. Total comprehensive income		167,768,867.43	175,213,472.41
Total comprehensive income attributable to shareholders of the parent company		167,768,867.43	175,213,472.41
Total comprehensive income attributable to non-controlling interests			
VIII. Earnings per share:	<i>21</i>		
(I) Basic earnings per share (RMB/share)		0.04	0.04
(II) Diluted earnings per share (RMB/share)		0.04	0.04

11.2 Interim Condensed Consolidated Balance Sheet

Unit: RMB

Item	Note	30 June 2024	31 December 2023
Assets:			
Monetary assets	3	581,229,620.18	283,896,884.51
Clearing settlement funds			
Precious metal			
Interbank lendings			
Derivative financial assets			
Accounts receivable		175,598,652.01	172,532,366.53
Contract assets			
Financial assets purchased under resale agreements	4	247,031,684.15	395,049,249.50
Assets classified as held for sale			
Loans and advances to customers	5	2,024,230,758.86	2,201,525,213.77
Financial Investments			
Financial assets held for trading	6	3,946,705,403.36	4,506,454,958.18
Debt investments	7	4,673,915,638.48	4,507,256,604.08
Other debt investments			
Other equity instrument investments			
Long-term equity investments	8	711,548,858.04	844,069,102.22
Investment properties		208,070,623.52	212,820,911.67
Fixed assets		40,822,230.61	42,637,817.33
Construction in progress			
Right-of-use assets		35,017,515.52	47,525,901.92
Intangible assets		35,777,949.65	40,979,199.34
Long-term amortisation expenses		19,868,439.10	20,814,361.23
Deferred income tax assets		581,829,231.46	597,414,403.37
Other assets		418,170,043.07	295,907,337.56
Total assets		13,699,816,648.01	14,168,884,311.21

Item	Note	30 June 2024	31 December 2023
Liabilities			
Short-term borrowings	9	550,941,597.21	974,779,055.55
Interbank borrowings			
Financial assets held for trading			
Derivative financial liabilities			
Financial assets sold under repurchase agreements			
Employment benefits payable		99,989,010.98	74,580,027.40
Taxes payable		53,586,938.61	119,927,475.98
Other payables		4,080,955.60	17,560,929.05
Contract liabilities		9,144,376.48	18,162,088.23
Liabilities held for sale			
Provisions	10	129,676,911.07	120,809,836.02
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities		26,928,276.22	39,059,410.21
Deferred income tax liabilities			
Other liabilities		1,568,321,753.93	1,714,627,528.29
Total liabilities		2,442,669,820.10	3,079,506,350.73
Shareholders' equity:			
Share capital		4,658,850,000.00	4,658,850,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		160,049,183.05	160,049,183.05
Less: Treasury shares			
Other comprehensive income		-7,993,244.62	-5,253,999.65
Surplus reserve		1,002,840,747.87	1,002,840,747.87
Trust compensation provision		753,171,982.16	753,171,982.16
General risk provision		594,239,495.47	594,239,495.47
Undistributed profit		4,095,988,663.98	3,925,480,551.58
Total shareholders' equity attributable to the parent company		11,257,146,827.91	11,089,377,960.48
Minority interests			
Total shareholders' equity		11,257,146,827.91	11,089,377,960.48
Total liabilities and shareholders' equity		13,699,816,648.01	14,168,884,311.21

11.3 Notes to the Interim Condensed Consolidated Financial Information

(All amounts in RMB unless otherwise stated)

1 BASIC INFORMATION ABOUT THE COMPANY

Shandong International Trust Co., Ltd. (the “**Company**”) is a non-bank financial institution incorporated in Shandong Province, the People’s Republic of China (the “**PRC**”) on 10 March 1987 with the approval from PBOC and Shandong Provincial Government.

The Company was transformed from a wholly state-owned company to a limited liability company in August 2002 and further transformed to a joint stock limited company in July 2015. The Company completed its public offering on 8 December 2017 and its shares were listed on the Main Board of the Hong Kong Stock Exchange. As at 30 June 2024, the amount of share capital was RMB4,658,850,000.00 with a par value of RMB1 per share.

The Company belongs to the trust industry, and as approved, the principal activities of the Company include trust business and proprietary business. Trust business is the Company’s principal business. As the trustee, the Company accepts entrustment of funds or property from its trustor clients and manages such entrusted funds or property to satisfy its trustor clients’ investment and wealth management needs, as well as the counterparty clients’ financing needs. The Company’s proprietary business focuses on allocating its proprietary assets into different asset classes and investing in various businesses with strategic value to its trust business in order to maintain and increase the value of its proprietary assets.

Registered office: Partial area of 1/F, 2/F and 13/F, 32 – 35/F and 40/F, Tower A, No. 2788 Aoti West Road, Lixia District, Jinan

Legal representative: Yue Zengguang (岳增光)

Registered capital: RMB4,658.85 million

The parent company of the Company is Shandong Lucion Investment Holdings Group Co., Ltd. (hereinafter referred to as “**Lucion Group**”). The controlling shareholder of Lucion Group is Shandong Provincial Department of Finance.

These financial statements were approved for reporting on 28 August 2024 by the Board of Directors of the Company.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(1) Basis of preparation

The financial statements of the Group are prepared based on the actual transactions and events in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance and its application guidelines, interpretations and other relevant regulations (hereafter collectively referred to as the “**ASBE**”), and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

(2) Going concern

The Group has evaluated its ability to continue as a going concern for the 12 months from 30 June 2024, and has not found any events or conditions that may cast significant doubt on its ability to continue as a going concern. The financial statements are presented on a going concern basis.

3 MONETARY ASSETS

Item	Closing balance	Opening balance
Cash on hand		
Bank deposits	162,841,468.32	219,277,117.03
Other monetary assets	<u>418,388,151.86</u>	<u>64,619,767.48</u>
Total	<u>581,229,620.18</u>	<u>283,896,884.51</u>
Including: Total amount deposited overseas	<u>—</u>	<u>—</u>

Note 1: As of 30 June 2024, bank deposits attributable to the consolidated structured entities amounted to RMB40 million (31 December 2023: RMB51 million). These bank deposits belong to trust assets. According to the Trust Law of the People's Republic of China, trust assets are separate from all properties owed by the trustee (the “**proprietary assets**”) and are separately managed and accounted.

Note 2: As of 30 June 2024, the Group's bank account funds of RMB115 million were frozen due to litigation.

Note 3: Other monetary assets are deposits with securities companies.

4 FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS

Item (Investee)	Closing balance	Opening balance
Reverse repurchase of government bonds	247,031,684.15	395,049,249.50
Less: bad debt reserve	<u>—</u>	<u>—</u>
Total book value	<u>247,031,684.15</u>	<u>395,049,249.50</u>

5 LOANS AND ADVANCES TO CUSTOMERS

Information on loans and advances to customers

Item	Closing balance		Book value
	Book balance	Loss allowance	
Principal	2,308,495,394.61	353,778,788.90	1,954,716,605.71
Interest receivable	<u>98,851,791.97</u>	<u>29,337,638.82</u>	<u>69,514,153.15</u>
Total	<u>2,407,347,186.58</u>	<u>383,116,427.72</u>	<u>2,024,230,758.86</u>

Item	Opening balance		Book value
	Book balance	Loss allowance	
Principal	2,428,707,215.22	339,298,759.90	2,089,408,455.32
Interest receivable	<u>125,370,637.71</u>	<u>13,253,879.26</u>	<u>112,116,758.45</u>
Total	<u>2,554,077,852.93</u>	<u>352,552,639.16</u>	<u>2,201,525,213.77</u>

6 FINANCIAL ASSETS HELD FOR TRADING

Item	Closing balance	Opening balance
Financial assets at FVTPL	3,946,705,403.36	4,506,454,958.18
Including: Stock investments	1,588,087,656.80	1,481,480,500.44
Public fund investments	368,698,816.05	783,319,294.32
Investment in asset management schemes	649,045,505.40	937,216,509.01
Bond investments	14,085,379.03	11,628,084.26
Equity investments in unlisted companies	909,404,449.13	661,871,769.23
Trust Industry Protection Fund	114,337,480.55	112,308,002.18
Investment trust schemes	298,046,116.40	518,630,798.74
Bank wealth management	5,000,000.00	–
Total	<u>3,946,705,403.36</u>	<u>4,506,454,958.18</u>

7 DEBT INVESTMENTS

Item	Book balance	Closing balance	
		Loss allowance	Book value
Principal	7,097,187,554.16	2,437,564,007.92	4,659,623,546.24
Interest receivable	<u>16,547,306.73</u>	<u>2,255,214.49</u>	<u>14,292,092.24</u>
Total	<u>7,113,734,860.89</u>	<u>2,439,819,222.41</u>	<u>4,673,915,638.48</u>

Item	Book balance	Opening balance	
		Loss allowance	Book value
Principal	6,813,114,600.48	2,321,985,255.43	4,491,129,345.05
Interest receivable	<u>17,822,396.37</u>	<u>1,695,137.34</u>	<u>16,127,259.03</u>
Total	<u>6,830,936,996.85</u>	<u>2,323,680,392.77</u>	<u>4,507,256,604.08</u>

8 LONG-TERM EQUITY INVESTMENTS

Item	Closing balance	Opening balance
Associates accounted for using the equity method	390,493,415.90	521,590,675.22
Enterprises invested by the consolidated structured entities	<u>321,055,442.14</u>	<u>322,478,427.00</u>
Total	<u>711,548,858.04</u>	<u>844,069,102.22</u>

9 SHORT-TERM BORROWINGS

(1) *The category of short-term borrowings*

Category	Closing balance	Opening balance
Borrowings from China Trust Protection Fund Co., Ltd.	<u>550,941,597.21</u>	<u>974,779,055.55</u>
Total	<u>550,941,597.21</u>	<u>974,779,055.55</u>

(2) The Group had no overdue and outstanding short-term borrowings at the end of the period.

10 PROVISIONS

Item	Closing balance	Opening balance	Reason
Litigation compensation	<u>129,676,911.07</u>	<u>120,809,836.02</u>	<u>Litigation</u>
Total	<u>129,676,911.07</u>	<u>120,809,836.02</u>	<u>-</u>

Note 1: On 22 May 2023, the Intermediate People's Court of Binzhou City, Shandong Province issued the second instance judgment on the case of a private lending dispute between Shandong Qixing Real Estate Company ("Shandong Qixing") and Rizhao Hainadijing Real Estate Co., Ltd. ("Rizhao Dijing"), Shandong Haina Real Estate Co., Ltd. ("Haina Real Estate Company") and our Company, which upheld the first instance judgment that our Company shall assume the supplementary compensation liability for the payment of the loan principal of RMB100 million and related interest by Rizhao Dijing to Shandong Qixing. As the bank deposit of the Company of RMB115,000,000.00 has been frozen by The People's Court of Zouping City, Shandong Province, the Company has made provisions of RMB124,906,746.58 based on the current progress. The Company has submitted an application for procuratorial supervision to the Binzhou Municipal People's Procuratorate regarding the judgment of the Intermediate People's Court of Binzhou City, and in December 2023, the Binzhou Municipal People's Procuratorate has accepted the application for supervision and to review the case. In July 2024, Binzhou Municipal People's Procuratorate issued a decision not to support the application for supervision.

Note 2: On 25 December 2023, the Intermediate People's Court of Rizhao City, Shandong Province issued a judgment on the case of dispute of shareholders damage to the interests of the Company creditors between Rizhao Dianjin Supply Chain Management Co., Ltd.* ("Rizhao Dianjin") (日照點金供應鏈管理有限公司) and Haina Real Estate Company, Shanghai Nuosheng Investment Management Co., Ltd.* (上海諾晟投資管理有限公司) and our Company, which upheld the first instance judgment that our Company shall bear joint and several liability for the remaining debt principal of RMB106,010.00 for Rizhao Dijing owed to Rizhao Dianjin, as well as the penalty for breach of contract and debt interest during the delayed performance period. The Company has made provisions of RMB4,770,164.49 based on the current progress. In June 2024, the Company has made a retrial request to the Shandong Higher People's Court, and the court has conducted filing review.

11 NET INTEREST INCOME

Item	Amount recognised in the current period	Amount recognised in the previous period
Interest income	24,968,599.11	75,332,384.05
Including: Cash and bank balances	740,606.65	1,133,179.92
Loans and advances to customers	16,331,574.08	54,083,013.34
Debt investments	5,687,082.20	9,975,832.03
Financial assets purchased under resale agreements	2,141,117.56	10,036,255.55
Others	68,218.62	104,103.21
Interest expenses	29,519,326.50	40,318,358.80
Including: short-term borrowings	22,154,521.52	28,181,802.74
Income attributable to third-party trust beneficiaries in consolidated structured entities	6,298,773.72	10,409,945.00
Others	1,066,031.26	1,726,611.06
Net interest income	<u>-4,550,727.39</u>	<u>35,014,025.25</u>

12 NET FEE AND COMMISSION INCOME

Item	Amount recognised in the current period	Amount recognised in the previous period
Fee and commission income	272,635,299.85	421,228,725.81
Including: Trustee's remuneration	246,517,735.93	394,913,011.84
Other	26,117,563.92	26,315,713.97
Fee and commission Expense	1,872,155.13	2,617,054.18
Including: Guarantee fee	1,830,750.45	2,321,342.43
Other	41,404.68	295,711.75
Net fee and commission income	<u>270,763,144.72</u>	<u>418,611,671.63</u>

13 INVESTMENT INCOME

Item	Amount recognised in the current period	Amount recognised in the previous period
Long-term equity investment income accounted for using equity method	2,115,347.99	10,152,591.24
Investment income from holding financial assets	33,162,769.37	124,422,359.00
Investment income from disposal of long-term equity investment	6,818,678.42	–
Investment income from disposal of loans and other debt investments	47,568.49	-800,000.00
Total	42,144,364.27	133,774,950.24

14 GAINS FROM CHANGES IN FAIR VALUE

Source of gains from changes in fair value	Amount recognised in the current period	Amount recognised in the previous period
Financial assets held for trading	243,236,101.94	212,071,055.06
Enterprises invested by the consolidated structured entities	-1,422,984.86	–
Total	241,813,117.08	212,071,055.06

15 TAX AND SURCHARGES

Item	Amount recognised in the current period	Amount recognised in the previous period
City maintenance and construction tax	751,481.24	1,756,918.86
Education surcharges	322,063.38	752,965.23
Regional education surcharges	214,708.93	501,976.81
Property tax	1,049,246.55	961,634.38
Stamp duty	541,642.52	1,156,268.04
Land use tax	72,547.68	61,459.28
Vessel and vehicle tax	1,890.00	1,890.00
Total	2,953,580.30	5,193,112.60

16 BUSINESS AND ADMINISTRATIVE EXPENSES

Item	Amount recognised in the current period	Amount recognised in the previous period
Employee benefits	72,268,910.05	93,045,145.13
Depreciation and amortisation	29,928,910.06	31,832,465.83
Legal and professional fees	3,137,159.38	4,512,787.36
Network expenses	7,439,751.06	3,385,351.70
Promotional expenses	4,100,475.41	6,400,820.94
Lease charges	3,800,648.41	4,525,536.02
Business hospitality expenses	1,482,369.91	2,566,688.00
Travel expenses	1,555,605.08	2,277,754.86
Office expenses	235,816.78	589,317.25
Others	8,862,062.76	14,834,965.02
Total	<u>132,811,708.90</u>	<u>163,970,832.11</u>

17 CREDIT IMPAIRMENT LOSSES

Item	Amount recognised in the current period	Amount recognised in the previous period
Loss on bad debts of accounts receivable	2,932,091.59	8,296,805.62
Loss on bad debts of other receivables	5,328,702.92	16,575,761.93
Impairment losses on loans and advances to customers	51,097,560.65	61,134,249.02
Impairment losses on debt investments	95,605,057.55	192,013,623.01
Total	<u>154,963,412.71</u>	<u>278,020,439.58</u>

18 NON-OPERATING EXPENSES

Item	Amount recognised in the current period	Amount recognised in the previous period	Amount included in non-recurring profit and loss for the period
Compensation cost	39,090,475.05	114,430,547.95	39,090,475.05
Penalty cost	–	400,000.00	–
Losses on retirement of non-current assets	16,127.97	891,082.97	16,127.97
Others	564.87	–	564.87
Total	<u>39,107,167.89</u>	<u>115,721,630.92</u>	<u>39,107,167.89</u>

19 INCOME TAX EXPENSES

Item	Amount recognised in the current period	Amount recognised in the previous period
Income tax expense for the year	67,233,512.60	147,164,139.19
Deferred income tax expenses	15,585,171.91	-46,319,348.08
Total	<u>82,818,684.51</u>	<u>100,844,791.11</u>

20 DIVIDEND

No dividends were paid, declared or proposed by the Company during the six months ended 30 June 2024 (the six months ended 30 June 2023: Nil), nor has any dividend been proposed since the end of the reporting period. The Directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2024.

21 EARNINGS PER SHARE

(i) *Basic earnings per share*

Item	Amount recognised in the current period	Amount recognised in the previous period
Net profit attributable to the ordinary shareholders of the parent company	170,508,112.40	175,077,175.55
Weighted average number of ordinary shares in issue	4,658,850,000.00	4,658,850,000.00
Basic earnings per share	<u>0.04</u>	<u>0.04</u>

(2) *Diluted earnings per share*

For the six months ended 30 June 2024, there were no potential diluted ordinary shares and therefore the diluted earnings per share were the same as the basic earnings per share.

22 EVENTS AFTER THE BALANCE SHEET DATE

As at the date of approval of the financial statements, the Group had no significant events after the balance sheet date.

12. AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and conventions adopted by the Company with the management and the Company's external auditor, and has reviewed the interim results for the six months ended 30 June 2024.

13. THE INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024 PUBLISHED ON THE HONG KONG STOCK EXCHANGE'S WEBSITE AND THE COMPANY'S WEBSITE

The interim results announcement for the six months ended 30 June 2024 is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.sitic.com.cn). The interim report for the six months ended 30 June 2024 which contains all information required by the Listing Rules will be published on the Hong Kong Stock Exchange's website and the Company's website in due course.

By order of the Board of Directors
Shandong International Trust Co., Ltd.
Yue Zengguang
Chairperson

Jinan, the People's Republic of China, 28 August 2024

As at the date of this announcement, the Board of Directors comprises Mr. Yue Zengguang as executive Director; Mr. Wang Zengye and Mr. Zhao Zikun as non-executive Directors; Mr. Zheng Wei, Ms. Zhang Haiyan and Ms. Liu Wanwen as independent non-executive Directors.